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

1st August 2020

BSE Limited
Listing Department
Dalal Street,
Mumbai 400 001
Scrip Code: 532432

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

Dear Sirs,

Sub: Submission of annual report for the financial year 2019-20 and the notice of the 21st annual general meeting of the Company

Pursuant to regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015), please find enclosed annual report for the year 2019-20 along with the notice of the 21st annual general meeting of the Company.

The Annual Report along with the notice of the annual general meeting of the Company can be accessed / downloaded from the weblink given below:

https://www.diageoindia.com/investors/financials/annual-and-financial-reports/

This is for your information & records.

Thank you,

For United Spirits Limited

MITAL ARVIND SANGHVI
Digitally signed by MITAL ARVIND SANGHVI
Date: 2020.08.01 16:35:36 +05'30'

Mital Sanghvi
Company Secretary

Encl: as above

DIAGEO
INDIA

STRONG
STEADY
SPIRITED

UNITED SPIRITS LIMTED
ANNUAL REPORT
2019-20

Diageo India is one of the country's leading beverage alcohol company and a subsidiary of the global leader, Diageo plc.

We manufacture, sell and distribute an outstanding collection of premium brands such as Johnnie Walker, Black Dog, Black & White, Vat 69, Antiquity, Signature, Royal Challenge, McDowell's No. 1, Smirnoff and Captain Morgan. As a purpose-led business, we are sensitive to consumer, community and societal needs, and champion the responsible consumption of alcohol.

No.1
SPIRITS COMPANY IN INDIA

2nd
LARGEST SPIRITS COMPANY IN THE WORLD

AA+
CREDIT RATING (CRISIL AND ICRA)

₹22,694 Cr
CONTRIBUTION TO EXCHEQUER

Contents

Performance snapshot FY20

₹28,589 Cr
REVENUE FROM OPERATIONS

₹705 Cr
PROFIT AFTER TAX

16.6%
EBITDA MARGIN

₹9.70
EARNINGS PER SHARE

80 Mn
CASES PRODUCED

54%
IMPROVEMENT IN WATER EFFICIENCY IN OUR OPERATIONS (BASE YEAR FY07)

79%
REDUCTION IN GHG EMISSIONS

19%
GENDER DIVERSITY

3,300
DIRECT EMPLOYMENT

25.6 Mn*
COMMUNITY OUTREACH

*Our CSR programmes reach includes 22.5 Mn through Network18 digital platforms but not television viewership.

Chairman's message

"Now more than ever before, the success of our business is deeply intertwined with the progress of our customers and our partners, our ability to innovate and delight consumers and the well-being of the communities where we operate."

Dear Shareholders,

As I write this letter, we are several months into a global pandemic and this unprecedented crisis has reiterated the importance of resilience, as a country, as a business and as individuals.

Now more than ever before, the success of our business is deeply intertwined with the progress of our customers and our partners, our ability to innovate and delight consumers and the well-being of the communities where we operate.

India was fraught with multiple headwinds throughout FY20 – lingering distress in the financial services space, muted consumption and cyclical slowdown across industries.

The virus outbreak exacerbated these challenges and India's GDP contracted to 4.2% in FY20, the lowest growth in a decade. The Government of India has announced several measures to inject liquidity into the economy, limit the impact on vulnerable sectors and enhance the pace of recovery.

At Diageo India, as growth in the alcoholic beverages sector slowed sharply and commodities inflation reached new levels in the first half of the financial year, we continued to focus on making our brands stronger through renovations and driving operational and financial efficiency. I am happy that we were able to maintain our operating margins in FY20 even in a tough environment.

We stood up to be counted in the fight against the pandemic, through donation of bulk hand sanitisers and showing solidarity to our on-trade partners through the 'Raising the Bar' programme and by providing medical insurance for the bartenders.

I am encouraged by the regulators' acknowledgment of our category's salience in the revenue generation capability of State Governments and by extension, our contribution to the economy. This is a positive step towards normalisation of the category and the industry.

During the year, we made significant investment in our talent pipeline and progressed towards a culture of inclusivity and shared values. I am particularly pleased that our commitment to making our workplace more diverse is bearing fruit – women constitute nearly 26% in leadership positions in the organisation today.

Moreover, we continue to make substantial progress in our sustainability journey. I am delighted to inform you that Diageo has met its 2020 water replenishment target, two years ahead of time.

Looking at the future, India's structural growth drivers remain intact. A young demographic base, growing income levels, expanding middle-class, greater preference for premium food and drink experiences and steadily rising social acceptance of spirits will continue to underpin demand in the years to come. We have the benefit of a world leader in spirits as our parent company; and their global experience combined with a strong team in India will be instrumental in helping us remain strong, steady and spirited in our pursuit of value-accretive growth.

I am confident that we are well placed both in ensuring the resilience of the Company and in helping the wider stakeholder fraternity to meet the challenges of the changing times.

I thank everyone for their support and confidence during these trying times.

Stay safe. Stay well.

Yours sincerely,

Mahendra Kumar Sharma
Chairman

Managing Director & CEO's message

"Over the course of this year, we will have to navigate several unknowns, including disruptive waves of state level lockdowns, impact of recent tax hikes on consumer demand and the effects of economic turmoil. We will continue to dynamically manage the situation in the near term, while staying true to our longer-term strategy."

Dear Shareholders,

FY20 was a challenging one for the Indian economy with the macroeconomic slowdown causing the GDP growth plummet to 4.2%. Subdued economic activity and bearish consumer sentiment led to broad-based consumption slowdown which, along with commodity inflation, particularly ENA, impacted growth and margin for beverage alcohol - resulting in industry growth falling to levels lower than that recorded during the demonetisation and highway ban quarters. The onset of COVID-19 and the resultant national lockdown towards the end of the fiscal year further exacerbated the situation.

Enhancing profitability despite significant headwinds

Despite the muted economic environment, Diageo India grew its Prestige & Above (P&A) segment by 6% in the first nine months of the year, within a reported total net sales growth of 5.4%. Net sales, however, declined by 11% in the last quarter, impacted by closure of the on-premise channel and off-trade retail vends. For the full year, we clocked 1.2% revenue growth.

Recognising the revenue challenge early in the year, we put management focus on productivity across all cost lines, including extracting A&P efficiencies, savings in non-staff overheads and interest costs, optimising our imports value chain through logistics efficiencies, coupled with overall fiscal discipline.

I am pleased, therefore, that despite the multitude of headwinds during the year, your Company's EBITDA grew by 17% with EBITDA margin expanding by over 220 bps. Overall, despite an unfavourable environment which impacted demand and cost, PAT for the year was up 7%.

Renovating our big brands

During the year, our two biggest Prestige segment brands – Royal Challenge and McDowell's No. 1 – were relaunched with new blend and packaging. Although the roll-out of the renovated brands has been impacted by the lockdown, the early signs are promising.

The year also witnessed a disruptive innovation in Scotch through the launch of 'Hipster', a portable Scotch whisky in a pocket-size format – sleek, stylish and perfect for spontaneous casual moments.

We continued to strengthen our route-to-consumer through deployment of technology that enables better management of trade channels. Our IT-enabled tool 'TRAX', uses real-time image recognition (such as recording images of product display on retail shelves, providing analysis of stock availability and share on shelf) that helps track in-market execution and enhance service quality.

Continuing to play our role in society

Good corporate citizenship is core to our business, and we continue to invest significantly behind creating societal impact.

Through our flagship 'Diageo Road to Safety' campaign, now in its 5th year, we are building on our partnerships with State Governments to help create a national movement on road safety in the country. This year, in a first-of-its-kind one-year sustained intervention together with the Government of Puducherry, we helped reduce road accidents by 13%, serious injuries by 20% and road fatalities by 21%. This programme was recognised by the United Nations Global Road Safety Forum as a 'Safety Laboratory' for South East Asia.

At a time when preservation and replenishment of water has emerged as a serious issue for the country against an impending 'water crisis', we have improved water efficiency in our manufacturing units by 54% (in lakh/litre when compared to our FY07 baseline). Our water replenishment initiatives have benefited ~70,000 people this year through community-focused projects across severely water-stressed areas in Rajasthan, Uttar Pradesh and Maharashtra.

I am proud that India met its water replenishment target two years early, which has helped Diageo achieve its 2020 Global Water Commitment Target.

Building our talent & culture

People are at the heart of a winning organisation. We are committed to their professional and personal growth by ensuring that Diageo is a great place to work. Our efforts to build a future-ready organisation includes succession planning for all critical leadership positions, accelerating internal readiness for senior positions, strengthening people-manager capabilities, building early careers through campus hiring, while engaging and retaining talent.

Because of our concerted efforts to enhance the diversity of our organisation, I am pleased to share that the participation of women in the workplace has increased significantly to 19.4% in FY20 from 7.5% in FY15. We are leaving no stone unturned in our ambition to build a non-hierarchical, meritocratic, collaborative, inclusive and performance-oriented organisation.

Standing up, being counted

Towards the end of the financial year, as the pandemic hit our business, we quickly re-directed our priorities towards protecting the business and creating enablers that would help us to emerge stronger through a prolonged crisis.

Our Crisis Management Team swung into action to monitor, assess and minimise the impact on our employees and operations, taking early steps such as working from home, sanitisation of all our facilities and business continuity planning. The coordinated efforts of the team ensured seamless remote working and quick resumption of operations following the gradual lifting of the lockdown.

Within less than a week of the lockdown being announced, we repurposed 15 of our manufacturing units to produce ~300,000 litres of hand sanitiser and donate to State Governments and Public health departments. We donated 150,000 masks to support frontline public healthcare workers. We supported the hospitality industry by providing healthcare insurance for Bartenders associated with Diageo World Class.

At this time of national crisis, our employees too came forward, to voluntarily contribute ₹ 40 lakh to the PM Cares Fund.

While the COVID-19 crisis is a public health emergency of epic proportions, the economic effect is now clear, not least the significant impact on the F&B industry. To help the hospitality sector revive and recover from the current crisis, Diageo has committed ₹ 75 crore towards the 'Raising the Bar' programme, a global Diageo initiative to provide practical support to bars, pubs and alcohol-serving restaurants in select cities in India over a two-year period.

Looking ahead

Over the course of this year, we will have to navigate several unknowns, including disruptive waves of state-level lockdowns, impact of recent tax hikes on consumer demand and the effects of economic turmoil. We will continue to dynamically manage the situation in the near term, while staying true to our longer-term strategy.

In a year as difficult as this, I am particularly grateful for the guidance of the Board and the unwavering energy and commitment of our people and business partners. I look forward to their continued support as we step into the times ahead.

Yours sincerely,

Anand Kripalu
Managing Director & CEO

At the heart of every shared moment of celebration

Made with pride, our brands are much loved by consumers. We are relentless in our pursuit of excellence through innovation, and curate experiences in keeping with evolving consumer preferences.

Johnnie Walker: #TheTravellingBillboard
Captures the journey undertaken by the brand across uncharted and exotic locations in India

The bolder Royal Challenge
Epitomises a fearless spirit with a great new blend and a bold new look

The iconic McDowell's No. 1 makeover
Superior taste, contemporary appeal and sustainable packaging

The Hipster
A contemporary and stylish portable format for scotch to suit millennials

Bringing our brands to life

Our 'fit-for-purpose' philosophy is the key to our success in engaging with every consumer group – from the aspiring to the affluent.

Vogue Wedding Show


Jaipur LitFest

Gin Explorers Club

Ketel One Kitchen

A strong partnership with communities and society

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 impact. 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.

Road to Safety 'Safe System Approach'

Through our flagship 'Diageo Road to Safety' campaign, now in its 5th year, we are building on our partnerships with State Governments to help create a national movement on road safety in the country. In a first-of-its-kind one-year sustained intervention, we partnered with the Government of Puducherry to launch a unique project called 'Safe System Approach' in the coastal state. The programme worked with the state traffic police on all aspects of road safety: education, enforcement, engineering and emergency services. The programme resulted in:

Thriving Communities

Our distilleries are at the very heart of the communities in which we work and we have a responsibility towards them. We are proud of our work to empower women and the communities through our WASH (Water, Sanitation and Health) interventions.

13%

ROAD ACCIDENTS

21%

FATALITIES

20%

SERIOUS INJURIES

60

WATER TANKS CONSTRUCTED IN JODHPUR, RAJASTHAN

20

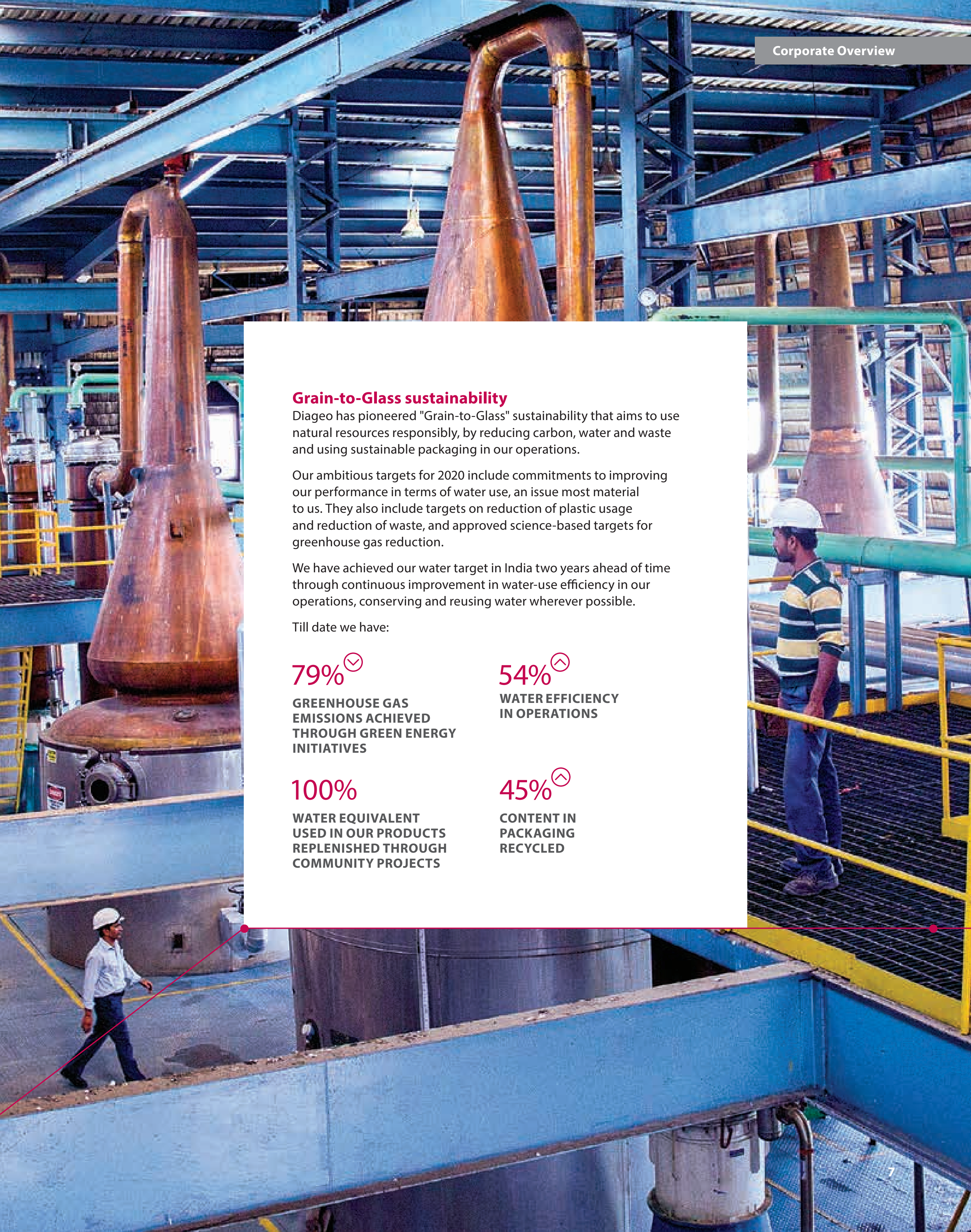
COMMUNITY WATER PURIFICATION PLANTS INSTALLED IN 19 VILLAGES IN NAGPUR, MAHARASHTRA

RECOGNITION

SAFETY LABORATORY' FOR SOUTH EAST ASIA BY UNITED NATIONS GLOBAL ROAD SAFETY FORUM

22 PONDS & 20 SOAK PITS

RENOVATED AND REPAIRED IN ALWAR, RAJASTHAN & ROSA, UTTAR PRADESH



Grain-to-Glass sustainability

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

Our ambitious targets for 2020 include commitments to improving our performance in terms of water use, an issue most material to us. They also include targets on reduction of plastic usage and reduction of waste, and approved science-based targets for greenhouse gas reduction.

We have achieved our water target in India two years ahead of time through continuous improvement in water-use efficiency in our operations, conserving and reusing water wherever possible.

Till date we have:

79%

GREENHOUSE GAS EMISSIONS ACHIEVED THROUGH GREEN ENERGY INITIATIVES

54%

WATER EFFICIENCY IN OPERATIONS

100%

WATER EQUIVALENT USED IN OUR PRODUCTS REPLENISHED THROUGH COMMUNITY PROJECTS

45%

CONTENT IN PACKAGING RECYCLED

Board of Directors

Mahendra Kumar Sharma
Chairman & Independent Director

Anand Kripalu
Managing Director and CEO

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 & CFO

Randall Ingber
Non-Executive Director

Committee Membership

- Audit and Risk
- Nomination & Renumeration
- Stakeholders' Relationship & General
- Corporate Social Responsibility

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 that the twenty-first Annual General Meeting ("AGM") of the members of United Spirits Limited ("the Company") will be held on Wednesday, August 26, 2020 at 3.30 p.m. through video conferencing ("VC") 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, 2020 and the Reports of the Directors and Auditors thereon.

2) To appoint a Director in place of Mr. Randall Ingber (DIN 07529943), who retires by rotation and being eligible, offers himself for re-appointment.

By Order of the Board

Mital Sanghvi
Company Secretary

Place : Mumbai
Date : July 27, 2020

Notes:

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

2. In view of the continuing COVID-19 pandemic, Ministry of Corporate Affairs vide Circular No. 14/2020 dated April 8, 2020, Circular No. 17/2020 dated April 13, 2020 and Circular No. 20/2020 dated May 05, 2020 and Securities and Exchange Board of India vide its Circular SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 (hereinafter collectively referred to as 'Circulars') permitted companies to hold AGM through video conference ("VC") or other audio visual means ("OAVM"), without the physical presence of members at a common venue. Accordingly, the AGM of the Company will be held through VC. In accordance with the Secretarial Standard-2 on General Meetings issued by The Institute of Company Secretaries of India ("ICSI") read with Clarification/ Guidance on applicability of Secretarial Standards issued by the ICSI, the proceedings of the AGM shall be deemed to be conducted at the Registered Office of the Company. Since the AGM will be held through VC/ OAVM, the Route Map is not annexed to this Notice.

3. The Circulars waived the requirement of permitting the members to appoint proxies to attend and vote on his/her behalf, as the AGM is being held through VC. Accordingly, the facility for appointment of proxies by the members will not be available. However, in pursuance of section 112 and section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC and cast their votes through e-voting.

4. Corporate members intending to authorize their representatives to participate and vote at the meeting are requested to send a certified copy of the board resolution/authorization letter to the Scrutinizer by email at the email id sudhir.compsec@gmail.com or to the Company at the email Id investor.india@diageo.com or upload on the VC portal/e-voting portal.

5. Participation of members through VC will be reckoned for the purpose of quorum for the AGM as per section 103 of the Companies Act, 2013 ("the Act").

6. In compliance with the aforesaid Circulars, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the Notice and Annual Report for the year 2019-20 will also be available on the Company's website www.diageoindia.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.

7. At the seventeenth AGM held on July 14, 2016, the Members approved appointment of Price Waterhouse & Co Chartered Accountants LLP (FRN 304026E/E-300009) as Statutory Auditors of the Company to hold office for a period of five years from the conclusion of that AGM till the conclusion of the twenty-second AGM, subject to ratification of their appointment by Members at every AGM. The requirement to place the matter relating to appointment of auditors for ratification by Members at every AGM had been dispensed with by the Companies (Amendment) Act, 2017 with effect from May 7, 2018. Accordingly, no resolution is being proposed for ratification of appointment of statutory auditors at the twenty-first AGM.

8. 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, the details about their email addresses, if any, so that all notices and other statutory documents which are required to be sent to the members, as per the provisions of the Companies Act, 2013, can be sent to their email addresses.

9. Members holding shares in physical form, holding in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents. Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents.

Notice (Continued)

10. Nomination facility for shares, held in physical form, is available for members. The prescribed form in this regard can be obtained from the Company's Registrars and Transfer Agents.

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

12. Unclaimed Dividend:

    a) All Unclaimed Dividend up to 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 Dividend for the period from April 1, 1994 to March 31, 2012, required to be transferred to the Investor Education and Protection Fund ("Fund") in terms of the provisions of the Companies Act, 1956 and the Companies Act, 2013, were transferred to the Fund. In terms of section 125 of the Companies Act, 2013, the amount of dividend declared for the financial year ended March 31, 2013 remaining unclaimed for a period of seven years from the due date of payment shall be transferred to the Fund.

13. Members may note that the Unclaimed Dividend which are transferred to the Fund can be claimed only 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

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

15. In compliance with the provisions of section 108 of the Companies Act, 2013 and rule 20 of the Companies (Management and Administrations) Rules, 2014, the Company is pleased to provide to members with a facility to exercise their right to vote at the 21st AGM by electronic means and the votes may be cast through electronic voting (e-voting) services provided by Central Depository Services (India) Limited [CDSL].

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

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

18. Any person who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date of Thursday, August 20, 2020, may obtain the login ID and password by sending a request at helpdesk.evoting@cdslindia.com. However, if he/she is already registered with CDSL for remote e-voting then he/she can use his/her existing user ID and password for casting the vote

19. The instructions for shareholders voting electronically are as under:

    In compliance with the provisions of section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, and Regulation 44 of the SEBI Listing Regulations, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by CDSL, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below:

    A. The remote e-voting period begins on August 23, 2020 at 10.00 a.m. and ends on August 25, 2020 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 of August 20, 2020, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

       The details of the process and manner for remote e-voting are explained herein below:

       (i) The shareholders should log on to the e-voting website www.evotingindia.com.

       (ii) Click on "Shareholders" module.

       (iii) Now enter your User ID

          a. For CDSL: 16 digits beneficiary ID,

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

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

          OR

          Alternatively, if you are registered for CDSL's **EASI/EASIEST** e-services, you can log-in at https://www.cdslindia.com from **Login - Myeasi** using your login credentials. Once you successfully log-in to CDSL's **EASI/EASIEST** e-services, click on **e-voting** option and proceed directly to cast your vote electronically.

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

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

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

	For Shareholders holding shares in Demat Form and Physical Form
PAN	Enter your 10-digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) * Shareholders who have not updated their PAN with the Company/ Depository Participant are requested to write to bglsta@integratedindia. in to obtain sequence number which shall be mentioned in the PAN field.
Dividend Bank Details **OR** Date of Birth	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 (iii).

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

(viii) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting 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.

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

(x) Click on the EVSN of the Company.

(xi) 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.

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

(xiii) After selecting the resolution(s) 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.

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

(xv) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

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

(xvii) Shareholders can also cast their vote using CDSL's mobile app "**m-Voting".** The m-Voting app can be downloaded from respective Store. Please follow the instructions as prompted by the mobile app while Remote Voting on your mobile.

(xviii) Note for Non–Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
- A scanned copy of the registration form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the board resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively non-individual shareholders are required to send the relevant board resolution/ authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer by email at the email id sudhir. compsec@gmail.com or to the Company at the email Id investor.india@diageo.com, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

B. e-voting Instructions for shareholders casting during the AGM

Notice (Continued)

i. The procedure for e-voting during of the AGM is same as the instructions mentioned above for remote e-voting.

ii. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting system available during the AGM.

iii. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes casted by such shareholders shall be considered as invalid, as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

iv. Shareholders who have voted through Remote e-voting will be eligible to attend the AGM. However, they will not be eligible to vote during the AGM.

The voting rights of members shall be in proportion to their shareholding in the Company as on the beginning of the cut-off date i.e., August 20, 2020.

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

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

22. The results declared along with the Scrutinizer's Report will be placed on the Company's website - www.diageoindia.com and on the stock exchanges' website, National Stock Exchange of India Limited at www.nseindia.com and BSE Limited at www.bseindia.com, immediately after the result is declared by the Chairman or any person authorised by the Company and communicated to the concerned stock exchanges.

23. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested, maintained under section 189 of the Act, will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, i.e. August 26, 2020. Members seeking to inspect such documents can send an email to investor.india@diageo.com.

24. Instructions with respect to participation by video conference is as follows:

    i. Shareholder are provided with a facility to attend the AGM through VC/OAVM through the CDSL e-voting system. Shareholders may access the same at www.evotingindia.com under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.

    ii. Shareholders are encouraged to join the Meeting through laptops/tablets for better experience.

    iii. Further, the shareholders are advised to use internet with good bandwidth to avoid any disturbance during the meeting.

    iv. Please note that participants connecting from mobile devices or tablets or through laptop connecting via mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.

    v. Shareholders who would like to express their views/ask questions during the meeting are requested to register themselves as a speaker by sending their request atleast 4 days prior to the meeting mentioning their name, demat account number/folio number, email id, mobile number to investor.india@diageo.com. The shareholders who do not wish to speak during the AGM but have queries are encouraged to send their queries 4 days prior to meeting mentioning their name, demat account number/folio number, email id, mobile number to investor.india@diageo.com. These queries will be responded appropriately by the company.

25. If Members have any queries or issues regarding attending AGM through VC and/or e-Voting, may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under Help section or may write an email to helpdesk.evoting@cdslindia.com or contact Mr. Nitin Kunder (022- 23058738) or Mr. Mehboob Lakhani (022-23058543) or Mr. Rakesh Dalvi (022-23058542).

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

By Order of the Board

Mital Sanghvi
Company Secretary

Place : Mumbai
Date : July 27, 2020

Annexure

Disclosure relating to directors pursuant to regulation 26(4) and 36 (3) of the sebi listing regulations and clause 1.2.5 of the secretarial standards on general meetings:

Name of Director	**Mr. Randall Ingber**
Date of Birth	March 28, 1974
Age	46 years
Date of Appointment	February 2, 2017
Expertise in specific functional Areas	Legal
Experience	24 years
Brief resume	Mr. Randall Ingber (Mr. Ingber) graduated from the University of Pennsylvania in 1995 with a major in Psychology prior to receiving a Juris Doctorate from University of California Hastings College of the Law in 2000. Mr. Ingber is General Counsel, Asia Pacific (incl. India), Supply & Procurement and Global Litigation at Diageo Plc, the world's premium drinks company. He is responsible for management of Diageo's most significant global disputes, as well as managing legal support to Diageo's fast growing Asia businesses. Mr. Ingber has been with Diageo for over 12 years, covering market and corporate legal roles in Australia, Japan, Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines and India in addition to head office support in the UK.
Qualifications	Graduate in Psychology from University of Pennsylvania and Juris Doctorate from University of California
Terms and conditions of re-appointment	He is a director nominated by Relay B V, holding Company and does not receive any remuneration from the Company and accordingly was not paid any remuneration ever since he became a director.
No. of Board meetings attended	Mr. Ingber attended all 6 board meetings held in the financial year 2019-20
List of other Indian Directorships held	Nil
* Chairperson/member of the Committee of the Board of Directors of the Company	Mr. Ingber is a member of Corporate Social Responsibility Committee
* Chairperson/member of the Committee of the Board of Directors of other companies in which he is a Director	Nil
a. Audit Committee	NA
b. Stakeholders Relationship Committee	NA
No. of Shares held in the Company	Nil
Relationship with other directors	Not related to any of the directors of the Company

Report of the Directors

Dear Members,

Your Directors are pleased to present the 21st Report of Directors of your Company and the audited financial statements for the year ended March 31, 2020.

INR in Million

Particulars	Standalone		Consolidated	
	2019-20	2018-19	**2019-20**	2018-19
The working of your Company for the year under review resulted in				
Revenue from operations	**285,892**	285,123	**288,237**	288,725
Profit / Loss from operations	**13,609**	11,626	**13,824**	12,256
Exceptional and other non-recurring	**13**	(267)	**666**	(26)
Less:				
Depreciation	**2,275**	1,445	**2,853**	2,147
Taxation (including deferred tax)	**4,300**	3,328	**5,397**	3,281
Profit / (Loss) after tax	**7,047**	6,586	**6,206**	6,836
Profit B/F from previous year	**(28,396)**	(34,624)	**(32,159)**	(38,802)
Impact of Change in Revenue Recognition policy on adoption of IND AS 115	**-**	(368)	**-**	(368)
Reinstated Profit B/F from previous year	**(28,396)**	(34,992)	**(32,159)**	(39,170)
Minority Interest appropriation	**-**	-	**383**	166
Foreign Currency Translation Reserve Considered separately	**-**	-	**(49)**	(20)
Total Comprehensive Income	**(274)**	10	**(220)**	28
Transfer between reserves	**-**	-	**-**	-
Profit / (Loss) available for appropriation	**(21,623)**	(28,396)	**(25,840)**	(32,159)
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	**(21,623)**	(28,396)	**(25,840)**	(32,159)
EPS–Basic & Diluted (Rupees)	**9.70**	9.06	**9.29**	9.87
Balance carried to the Balance Sheet	**(28,396)**	(34,624)	**(32,159)**	(38,802)
EPS–Basic & Diluted (Rupees)	**9.06**	38.65	**9.87**	44.68

As can be seen from the above table, the revenue from operations increased by 0.27% during the year on standalone basis and decreased by 0.17% on consolidated basis. Profit after tax has increased during the year by 7% on standalone basis and decreased by 9.22% 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.

1. Performance of the company

During the year under review, your Company's sales volume was about 79.7 million cases resulted in a volume decline of 2.3% compared to prior period. After adjusting for the franchise model changes in Popular segment, underlying volume declined 2.1% compared to prior period. Net sales/income from operations of your Company grew 1.2% in the financial year ended March 31, 2020 and stood at INR 90,909 million net of duties and taxes (previous year INR 89,806 million). Adjusted for the franchise model changes and one-off sale of bulk Scotch, net sales/income from operations declined 1.5% for the year. Sales volume of the Company's brands in the 'Prestige and Above' segment declined 1.5% in the financial year ended March 31, 2020 and stood at 40.9 million cases (previous year 41.6 million cases). Net sales of the 'Prestige and Above' segment grew 0.4% and stood at INR 59,311 million net of duties and taxes (previous year INR 59,095 million). The 'Prestige and Above' segment represented 65.2% of total net sales and 51.3% 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, 2020 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, 2020 and Secretarial Audit Report is annexed as **Annexure – 3**.

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

Certain events arising out of COVID 19 Virus Pandemic having impact on businesses worldwide have been covered in detail in the Management Discussion and Analysis Report forming part of this report. Company's manufacturing units were shut down during March 2020 and April 2020 owing to nationwide lockdown imposed by Government of India and operations have since resumed in a phased manner.

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 at 2,740,000,000 equity shares of Rs2/- each and preference shares of 171,200,000 Preference Shares of Rs10/- 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. 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. In April 2020, compulsory convertible preference shares (CCPS) were issued by Hip Bar to Hip Bar's promoter Group for ₹ 3 Crores. While the exact conversion ratio of these CCPS would be fixed at a later date, the dilution of Company's equity in Hip Bar consequent to the aforesaid CCPS issuance is expected to be in the range of 2.4% to 3.4%. Accordingly, the revised shareholding of the Company (on a fully diluted basis) is expected to be between 22.6% and 23.6%. 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, 2020, equity shares representing 99.30% of the equity share capital

Report of the Directors (Continued)

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.

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.

A. Re-appointment of Directors

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

Members may please note that Mr Randall Ingber, who is a nominee of Relay B V, was appointed as a Director at the 18th Annual General Meeting (AGM) held on August 30, 2017. Mr. Randall Ingber is not debarred from holding the directorship under any statutory regulations.

A brief profile of Mr Randall Ingber is provided as an Annexure to the Notice convening 21st AGM.

During the financial year 2019-20, Mr. Mahendra Kumar Sharma, Mr. D Sivanandhan, Mr. Rajeev Gupta and Dr (Mrs) Indu Shahani were re-appointed for a further period of five years and in the opinion of the Board, the said directors possess integrity, expertise and experience to effectively discharge their duties as directors of the Company.

Mr Anand Kripalu was reappointed at the Annual General Meeting of the Company held on August 21, 2019 for the period upto August 13, 2022 in continuation of his earlier appointment. Members may note that as approved by the Board of Directors at its meeting held on May 29, 2019 while re-appointing Mr. Anand Kripalu as Managing Director and Chief Executive Officer, Mr. Anand Kripalu is not liable to retire by rotation.

B. Retirement and appointment of company secretary

The Board of Directors at its meeting held on 27th January, 2020 appointed Mr. Mital Sanghvi as Company Secretary and Key Managerial Personnel of the Company with effect from 1st June 2020. Board also took on record the retirement of Mr. V. Ramachandran as Company Secretary effective end of day 31st May 2020 consequent to his retirement. The Board of Directors placed on record, its appreciation of the services rendered by Mr. V. Ramachandran during his tenure as Company Secretary and welcomed Mr. Mital Sanghvi.

C. Independent directors

Your Company did not appoint any new Independent Director or Nominee Director in the financial year 2019-20. Criteria for selection/appointment or re-appointment of Independent Directors include skills, expertise of the Director, qualifications, experience and domain knowledge. The required skills of Independent Directors are leadership, managerial experience, diversity, risk management and corporate governance. All our Independent Directors viz., Mr. Mahendra Kumar Sharma, Mr. V.K. Viswanathan, Mr. D Sivanandhan, Mr. Rajeev Gupta and Dr (Mrs) Indu Shahani possess the aforesaid skills.

Executive director

Your company did not appoint any new Executive Director for the year 2019-20.

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 Securities and Exchange and Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (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 2019-20 are stated in the Corporate Governance Report which forms part of this Annual Report.

F. Board committees

The Company has 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. Policies:

The Company has adopted all policies as required to be maintained by the Company under the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 and the same are uploaded on the website of the Company wherever required including under Section 178 and the salient features of the same are detailed in Corporate Governance Report.

H. 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.

I. 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 2019-20 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

The Board of Directors have approved for payment of commission of INR 20 million to five independent directors after applying the criteria stated above for the financial year 2019-20.

The criteria for payment of remuneration to executive directors is determined by the Nomination and Remuneration Committee based on various criteria including performance criteria. Remuneration Policy is available on the website www.diageoindia.com.

J. 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 overall performance evaluation exercise was completed to the satisfaction of the Board. The Board & the Nomination & Remuneration Committee noted the progress on the observations from the previous year's evaluation. Current year's observations were also noted and the same would be actioned upon appropriately.

K. Vigil Mechanism

The Company has a whistle-blower mechanism known as SpeakUp, operated by a third-party agency. Employees or representatives 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 HR Business Partner, Legal Business Partner and Business Integrity member. The Company has a structured Breach Management Standard in place which is in line with the Global standard, for timely and conclusive resolution of compliance concerns raised through the whistle blower mechanism. The decision on sanctions on the reported breaches are determined and monitored by a Compliance Committee, in order to ensure that there is a collective and a fair decision-making process and consistent action in resolving the breaches.

The quality of investigation reports and remedial actions are reviewed and monitored by the Global Business Integrity team. Access to the Chairman of the Audit Committee is provided as required under the Companies Act, 2013 and the SEBI (LODR) Regulations.

Report of the Directors (Continued)

L. Related party transactions

The Company's policy on dealing with related party transactions was adopted by the Board on June 15, 2015 and further amended from time to time. This policy is available on the Company's website www.diageoindia.com.

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.**

Except the transactions stated in Form AOC-2 annexed to this Report as Annexure-2, 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 atlarge.

M. Meeting amongst independent directors

The Independent Directors met amongst themselves without the presence of any other persons on May 29, 2019, July 22, 2019 and October 24, 2019.

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.

Secretarial audit

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

In addition, the company has also obtained Secretarial Compliance Report for the year ended March 31, 2020 in terms of the SEBI Circular issued on February 08, 2019, which is annexed as **Annexure – 3A**. 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. Board confirms compliance with Secretarial Standards.

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, 2020 stood at ₹44,26,000. This amount was transferred into a separate non-interest bearing escrow account opened specifically for the purpose of re-payment pursuant to the provisions of the Companies Act, 2013 and the rules made thereunder. Out of this amount, a sum of ₹10,14,017/- has since been paid as per instructions received after the year end and balance unclaimed amount as of May 27, 2020 is ₹34,11,983/-. The balance unclaimed fixed deposits continue to remain in the escrow account as on May 27, 2020.

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 dividend is declared	No. of Members who have not claimed their dividend	Unclaimed dividend as on March 31, 2020 (Amount in INR)	Unclaimed dividend as % to total dividend	Date of declaration	Last date for claiming the dividend prior to its transfer to IEPF
2012-13	10,836	2,212,092.50	0.61	24-Sep-2013	29-Oct-2020

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

No shares were transferred during the year ended March 31, 2020 to Investor Education and Protection Fund pursuant to Section 124(6) of the Companies Act, 2013.

Fixed Deposits:

1.	Accepted during the year	NIL
2.	Remained unpaid or unclaimed as at the end of the year	₹44,26,000
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 2019-20 within the meaning of SEBI (Share Based Employee Benefit) Regulations, 2014.

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, 2020, which includes these disclosures. The Company has not given any guarantee to any company as on March 31, 2020.

22. Risk management

Details on Risk Management is annexed as **Annexure - 6** hereto. The Company has not done any commodity hedging.

23. Internal financial controls

During the year Controls, Compliance & Ethics (CC&E) team have implemented a detailed plan under the direction of the Executive Committee of the Company, to reinforce the code of business conduct and to further embed compliance across the business. The CC&E team also undertook comprehensive review of existing controls (SOX & non-SOX controls) & added additional attributes in the existing controls. The same has been shared with the statutory auditors who have confirmed that they are aligned with the same. The controls with additional attributes have been tested both by Management tester (Deloitte) and by the Statutory auditors in March 2020 for its effectiveness. The Board after considering the materials placed before it, reviewed the confirmation received from external parties and reviewed the effectiveness of the policies and procedures adopted by the Company for ensuring orderly and efficient conduct of its business, including adherence to Company's policy, safeguarding its assets, prevention and detection of frauds and errors and completeness of accounting records and timely preparation of financial statements The Board has satisfied itself that the Company has laid down internal financial controls which are commensurate with the size of the company and that such internal financial

Report of the Directors (Continued)

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 and due to recent COVID-19 Pandemic. 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, 2020 and as note no. 46 of the consolidated financial statements for the year ended March 31, 2020.

27. Disclosure as required under section 22 of Sexual Harassment of Women at Workplace (prevention, prohibition and redressal) Act, 2013

The Company has implemented the policy and framework in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWWA). Moreover the Company's policy is all gender inclusive, our process ensures complete anonymity and confidentiality of information.

Various Internal Committees (IC) have been constituted for all locations to consider and resolve all complaints reported on sexual harassment at workplace. Investigation is conducted and decisions are made by the IC at the respective location, and a senior woman employee is the presiding officer over every case. While maintaining the highest governance norms, the various Internal Committee (IC) has appointed internal members and an external member who has extensive experience in the field. The IC's meet on quarterly basis to discuss the matters on policy awareness, best practices, judicial trends etc.

During the year, one complaint with allegations of sexual harassme3nt was received by the Company and it was investigated and resolved as per the provisions of the SHWWA. To build awareness in this area, the Company has been publishing newsletter, emailers, posters, conducting Online training module and IBegin-induction face to face training for new joining employees. Besides the face to face training programmes are conducted in the organisation on a continuous basis for employees, consultants, contract employees and permanent workers. The IC has also conducted informal sessions to check the pulse at the grassroot levels.

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, 15 subsidiary companies are non-operative companies.

The Board of Directors ("Board") of PDL and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the proposed merger of PDL with the Company under sections 230 – 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities including Securities and Exchange Board of India, National Stock Exchange of India Limited, BSE Limited, the National Company Law Tribunal, and the respective shareholders and creditors of PDL and of the Company

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 2019-20, 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	**Mahendra Kumar Sharma**
Managing Director &	Chairman
Chief Executive Officer	DIN: 00327684
DIN: 00118324	

Place : Bengaluru
Date : May 27, 2020

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.

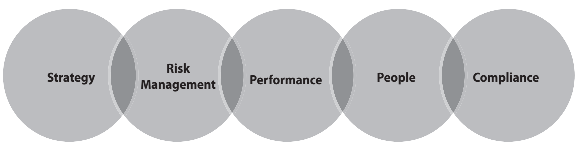
2. Board of directors

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 In the opinion of the Board, the independent directors fulfilled the conditions specified in SEBI (LODR) Regulations and are independent of the management. None of the Directors are 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 and monitor the performance of management in every meeting in terms of agreed goals and objectives;

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, 6 Board Meetings were held, i.e., on April 23, 2019, May 28 and May 29, 2019, July 22, 2019, October 23 and October 24, 2019, December 02, 2019 and January 27, 2020 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 August 21, 2019	No. of other Companies in which Director as on 31st March, 2020	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)*	6	Yes	7	4 (Chairman in 3 out of 4)	1. **Asian Paints Limited** *(Independent Director)* 2. **Wipro Limited** *(Independent Director)* 3. **Ambuja Cements Limited** *(Non-Independent Director)* 4. **Vedanta Limited** *(Independent Director)*
Mr Anand Kripalu *(Managing Director and Chief Executive Officer)*	6	Yes	Nil	Nil	Nil

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on August 21, 2019	No. of other Companies in which Director as on 31st March, 2020	No. of committees (other than the Company) as Chairman / Chairperson/ Member	Directorship in other listed Company and Category of Directorship
Mr Sanjeev Churiwala *(Executive Director and Chief Financial Officer)*	5	Yes	2	Nil	Nil
Mr V K Viswanathan *(Independent Non-Executive Director)*	6	Yes	8	5 (Chairman in 2 out of 5)	1. **Bharti Airtel Limited** *(Independent Director)* 2. **Magma Fincorp Limited** *(Independent Director)* 3. **HDFC Life Insurance Company Limited** *(Independent Director)* 4. **KSB Limited** *(Independent Director)* 5. **ABB India Limited** *(Independent Director)*
Dr (Mrs) Indu Shahani *(Independent Non-Executive Director)*	6	Yes	6	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 (Chairman in 1 out of 4)	1. **Forbes & Company Limited** *(Independent Director)* 2. **Kirloskar Industries Limited** *(Independent Director)* 3. **RBL Bank Limited** *(Independent Director)* 4. **Inditrade Capital Limited** *(Independent Director)*
Mr Rajeev Gupta *(Independent Non-Executive Director)*	5	No	8	4	1. **Cosmo Films Limited** *(Non-Independent Director)* 2. **EIH Limited** *(Independent Director)* 3. **Rane Holdings Limited** *(Independent Director)* 4. **TVtoday Network Limited** *(Independent Director)* 5. **Vardhman Special Steels Limited** *(Independent Director)*
Mr Vinod Rao *(Non-Executive Nominee Director)*	6	No	Nil	Nil	Nil
Mr John Thomas Kennedy *(Non-Executive Nominee Director)*	5	No	Nil	Nil	Nil

Corporate Governance Report (Continued)

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on August 21, 2019	No. of other Companies in which Director as on 31st March, 2020	No. of committees (other than the Company) as Chairman / Chairperson/ Member	Directorship in other listed Company and Category of Directorship
Mr Randall Ingber *(Non-Executive Nominee Director)*	6	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 and the last column consists of listed Indian companies only.

2.6 Awards and recognition

a. Your Company's Annual Report of 2018-19 was awarded the Gold Award for excellence by the League of American Communications Professionals.

b. Your Company has also been rated CGR-2 for its corporate governance practices by ICRA. CGR-2 denotes the second highest rating amongst the Company rated by ICRA for Corporate Governance practices.

2.7 Rating

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 re-affirmed the long term rating at "AA+" and re-affirmed the short term rating at "A+". During the year, CRISIL has revised the outlook to Positive from Stable and re-affirmed at "AA+". The short term rating was also re-affirmed at "A1+". These ratings will enable the Company to access more economical sources of debt leading to lower interest cost and increased shareholder value.

2.8 Other corporate governance requirements

In compliance with Regulation 23, the Company has framed policy on Related Party Transactions and the same is uploaded on our website https://www.diageoindia.com/investors/

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.

Requirements stipulated under Regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as applicable, with regard to corporate governance has been complied with by your Company.

Other requirements of Corporate Governance as per the SEBI (LODR) Regulations are disclosed on the Company's website https://www.diageoindia.com/investors/ and as applicable have been disclosed elsewhere in this Report and Annexures.

2.9 Disclosures regarding appointment and re-appointment of directors

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

Mr Randall Ingber

Mr Randall Ingber was appointed as Director at the 18th AGM on August 30, 2017. He is liable to retire by rotation and has offered himself for re-appointment.

Mr. Randall Ingber is not debarred from holding the directorship under any statutory regulations.

A brief profile of Mr Randall Ingber is provided as an Annexure to the Notice convening 21st AGM.

Mr Anand Kripalu was reappointed at the Annual General Meeting of the Company held on August 21, 2019 for the period upto August 13, 2022 in continuation of his earlier appointment. Members may note that as approved by the Board of Directors at its meeting held on May 29, 2019 while re-appointing Mr. Anand Kripalu as Managing Director and Chief Executive Officer, Mr. Anand Kripalu is not liable to retire by rotation.

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.

i. To lay down the criteria for granting such Omnibus Approval in line with this Policy and such Omnibus Approval shall be applicable in respect of Related Party Transactions which are repetitive in nature.

j. To satisfy itself the need for such Omnibus Approval and that such approval is in the interest of the Company.

k. Such Omnibus Approval shall specify (i) the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit. However, where the need for such Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant Omnibus Approval for such transactions subject to their value not exceeding ₹1 crore per transaction.

l. To review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each Omnibus Approval given.

m. Such Omnibus Approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of the financial year.

3.3 The Audit and Risk Management Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2020 and has recommended its adoption. In addition, the Audit and Risk Management Committee has also reviewed the unaudited quarterly financial results for the quarter ended June 30, 2019, quarterly and six months ended September 30, 2019 and quarterly and nine months ended December 31, 2019 (which were subjected to a limited review by the Statutory Auditors of the Company).

Corporate Governance Report (Continued)

3.4 During the financial year under review, 5 meetings of the Audit and Risk Management Committee were held i.e., on May 28 & May 29, 2019, July 22, 2019, October 23-24, 2019, December 02, 2019 and January 27, 2020 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)	5	5
Dr (Mrs) Indu Shahani	5	5
Mr Vinod Rao	5	5
Mr D Sivanandhan	5	5
Mr Rajeev Gupta	5	4
Mr Mahendra Kumar Sharma	5	5
Mr John Thomas Kennedy	5	4

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 Four meetings were held i.e., on May 28 , 2019 and September 13 , 2019, October 24, 2019 and January 27, 2020. 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	4	4
Mr John Thomas Kennedy	4	4
Mr D Sivanandhan	4	4
Mr V K Viswanathan	4	4

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, 2019 to March 31, 2020 are given below.

A. Managing Director: Mr Anand Kripalu

Mr. Anand Kripalu was re-appointed as Managing Director and Chief Executive Officer effective August 14, 2019 for a period of three years which is ending on August 13, 2022 which was approved by the members in the 20th Annual General Meeting.

The remuneration paid to Mr Anand Kripalu as Managing Director and Chief Executive Officer during the year ended March 31, 2020 is given in **Annexure - 4** to the Directors Report. Please also refer note 36(d) of the financial statements.

B. Non-Executive Independent 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 2019-20.

Name of the Independent Director	Sitting fees (INR)
Mr Mahendra Kumar Sharma	8,50,000
Mr V K Viswanathan	9,50,000
Mr D Sivanandhan	9,25,000
Mr Rajeev Gupta	7,00,000
Dr (Mrs) Indu Shahani	10,25,000
Total	**44,50,000**

ii. Independent directors are also eligible for commission as approved by the Board of Directors every year within the limit of one per cent of the net profits of the Company or Rs. 4 crore, 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. Presently, the Company is not paying any remuneration to non-executive directors other than the independent directors.

iii. Details of commission paid to the independent directors approved by the Board of Director for the financial year 2019-20 is given below:

Sl. No.	Name of the Independent Director	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**

iv. Nominee directors of Relay B.V have neither been paid any sitting fees nor any commission.

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 induction of Board members with certain special skill sets, to strengthen the Board. 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	Managing Director and Chief Executive Officer

5.2 The brief 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,

Corporate Governance Report (Continued)

and in particular where directors are implicated or could be made liable.

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

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

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

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

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

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

j. Issue / revocation / modification of powers of attorney to represent the Company.

k. Power to borrow subject to applicable laws from banks, financial institutions and other bodies corporate, apart from the money(s) already borrowed till date under any specific resolutions, such that the borrowings availed by the Company pursuant to the resolutions of the Stakeholders & General Committee of Directors and outstanding at any point of time, do not exceed an amount of ₹500 Crores in aggregate.

l. Power to give loans subject to applicable laws to wholly owned subsidiaries of the Company for the purpose of Working Capital, apart from the loans already made to the wholly owned subsidiaries of the Company till date under any specific resolutions for such purpose(s), such that the total amount of loan given pursuant to the resolutions of the Stakeholders & General Committee of Directors for such purpose(s) and outstanding, at any point of time, do not exceed ₹500 Crores in aggregate.

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 28, 2019.

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 16 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

Sl. No.	Complaints relating to	No. of Complaints received	No. of Complaints resolved
1	Non-receipt of refund order/ allotment letter	Nil	Nil
2	Non-receipt of Dividend/Interest on Shares/Debentures/Fixed Deposits/maturity amount on debentures	03	03
3	Non-receipt of share certificates	11	11
4	Non-receipt of Annual Report/ Rights forms/ Bonus shares/ interest on delayed refund/ Dividend and Interest	Nil	Nil
5	Others	02	02
	Total	**16**	**16**

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 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, two meetings were held on May 29, 2019 and October 23, 2019. 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	2	2
Dr (Mrs) Indu Shahani	2	2
Mr Anand Kripalu	2	2
Mr Randall Ingber	2	2

6.3 The CSR Report of the Company for the year ended March 31, 2020 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, 2019	August 21, 2019	3.30 p.m.	Vivanta By Taj; No. 3, 41/3 M.G. Road, Bengaluru – 560 001
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

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
August 21, 2019	(i) Re-appointment of Mr Anand Kripalu as Managing Director and Chief Executive Officer (ii) Re-appointment of Mr Sivanandhan Dhanushkodi as Independent Director (iii) Re-appointment of Mr Mahendra Kumar Sharma as Independent Director (iv) Re-appointment of Mr Rajeev Gupta as Independent Director (v) Re-appointment of Ms Indu Ranjit Shahani as Independent Director (vi) Approval for granting Loans and Guarantees to Pioneer Distilleries Limited
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

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 (EGM)

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. No EGM was conducted during the year.

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

9. Disclosures

9.1 The related party transaction entered in to by the Company during the financial year ended March 31, 2020, have been disclosed in the notes to Accounts and also in Form AOC-2, which forms part of Directors' Report.

9.2 For the past three financial years viz., from April 01, 2017 to March 31, 2020, the Company has complied with the statutory requirements comprised in the SEBI (LODR) Regulations / Guidelines/Rules of the Stock Exchanges / SEBI / other statutory authorities and there have been no other instances of material non-compliance by the Company during such financial year, nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets. Please refer to Secretarial Audit Report and Secretarial Compliance Report in **Annexure – 3 and 3A.**

9.3 Code of conduct

a. United Spirits Limited (USL) is committed to conducting its business responsibly and in accordance with all laws and regulations to which its business activities are subject to. We hold ourselves to the principles in our Code of Business Conduct (our Code), Standards and Policies, which is embedded through a comprehensive training and education programme for all employees. Our Code enables our employees to make the right choices and demonstrate the highest standards of integrity and ethical behaviour. Our Code is the key policy governing the compliance and ethics framework of the Company, and it is extended to suppliers, contractors and its subsidiaries. Further, all Customers and Business partners are covered by Know Your Business Partner (KYBP) process as part of their on boarding process.

In addition to our Code, the compliance program is also anchored by policies and procedures, prescribed as per the global standards, covering areas such as Antibribery and corruption (including guidelines on gifting & entertainment), Prevention of Sexual harassment at workplace, Dignity at workplace and Employee Alcohol aspect, as part of its commitment to responsible drinking. Our Code is available at https://www.diageoindia.com/PR1346/aws/media/8080/code-of-conduct-diageoindia-sept-2019.pdf. Our standard code for suppliers ("Partnering with Suppliers (PwS)") has been extended to

Corporate Governance Report (Continued)

suppliers and contractors we work with. PwS is available at https://www.diageo.com/pr1346/aws/media/4107/diageo_partnering_w_suppliers_september_2017.pdf.

All employees are required to undertake training on the requirements of our Code within 30 days of joining the employment and every year, all employees are also required to complete mandatory e-Learning training module on our Code as annual certificate of completion. In addition, during the year trainings on our Code including prevention on sexual harassment at workplace, has also been imparted to all employees and permanent workers in their local languages and leveraged the technology for creating awareness on applicable policies for field sales personnel.

b. As stated in the Board's report, your Company has a whistle-blower 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 HR Business Partner, Legal Business Partner and Business Integrity member. The Company has a structured Breach Management Standard in place which is in line with Global standard, for timely and conclusive resolution of compliance concerns raised through the whistle blower mechanism. The decision on sanctions on the reported breaches are determined and monitored by a Compliance Committee, in order to ensure that there is a collective and a fair decision-making process and consistent action in resolving the breaches. The quality of investigation reports and remedial actions are reviewed and monitored by the Global Business Integrity team. 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.

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, 2020 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 All the Directors have submitted a declaration that they are not disqualified under sub-section (2) of section 164 of the Companies Act, 2013. Mr. Sudhir V Hulyalkar, a Practicing Company Secretary, has submitted a certificate to the effect that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority, pursuant to requirement under Clause (i) Para 10 Clause (C) of Schedule V of SEBI (LODR) Regulations, 2015. Copy of the Certificate and Declaration by the Chief Executive Officer pursuant to SEBI (LODR) Regulations, 2015 on compliance with the code of conduct by the Board of Directors and senior management are enclosed as part of corporate governance report.

9.6 Remuneration to Auditors

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

By United Spirits Limited – ₹48 Million

By the subsidiaries of United Spirits Limited – ₹6.1 Million.

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

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

A)	Corporate Identification Number	L01551KA1999PLC024991
B)	AGM Date, Time and Venue	August 26, 2020 at 3.30 pm through video conference
C)	Financial year	April 1 to March 31
	Tentative Board Meeting calendar:	
	First Quarterly Results	July 27, 2020
	Second Quarterly Results	November 04, 2020
	Third Quarterly Results	January 27, 2021
	Audited yearly Financial Results	May 20, 2021
	In addition, Board may also meet on other dates for transacting other urgent business or due to any specific requirements	
D)	Cut-off date of dispatch of AGM Notice	July 17, 2020
E)	Cut-off date of E-Voting purpose	August 20, 2020
F)	Dividend payment date	NA
G)	Listing on Stock Exchanges	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.
H)	**Stock Code**	
	BSE	Demat 532432 Physical 32432
	NSE	SYMBOL -MCDOWELL-N
I)	ISIN NO.	After Sub-Division of shares : INE854D01024
J)	Market price data	As per Annexure A
K)	Stock performance in comparison to BSE Sensex and NSE Nifty	As per Annexure B
L)	Registrar and Transfer Agents	Integrated Registry Management Services Private Limited (Formerly known as Integrated Enterprises (India) Limited), 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru - 560 003 Tel. Nos. (080) 23460815-818 Fax No. (080) 23460819
M)	Share Transfer System	The power to transposition/consolidation/sub-division, etc., is delegated to Stakeholders Relationship and General Committee of Directors. The requirements under the SEBI LODR Regulations, 2015, and other statutory regulations in this regard are being followed.
N)	Distribution of Shareholding	As per **Annexure C**
O)	Dematerialisation of shares (as on March 31, 2020)	
P)	Outstanding GDRs/ADRs/Warrants or any other Convertible Instruments	NIL

Dematerialisation of shares (as on March 31, 2020):

Depositories	Shares	%
NSDL	68,03,25,966	93.63
CDSL	4,12,48,424	05.67
Total	72,15,74,390	99.30

Corporate Governance Report (Continued)

Q)	Plant locations – owned manufacturing units (operational)	1. Alwar (Rajasthan) 2. Asansol (West Bengal) 3. Aurangabad (Maharashtra) 4. Baramati (Maharashtra) 5. Gopalpur-On-Sea (Orissa) 6. Gulbarga (Karnataka) 7. Hyderabad I (Nacharam, Telangana) 8. Hyderabad II (Malkajgiri, Telangana) 9. Kumbalgodu (Karnataka) 10. Meerut (Uttar Pradesh) 11. Nasik-I (Maharashtra) 12. Nasik-II (Maharashtra) 13. Ponda (Goa) 14. Rosa (Uttar Pradesh) 15. Udaipur (Rajasthan)
R)	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 Company Secretary or 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
S)	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. 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, 2019	1601	916220
Number of shareholders who approached issues for transfer of shares from Unclaimed Suspense Account during the year	16	8330
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	16	8330
Number of Shareholders and shares transferred to IEPF during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on March 31, 2020	1585	907890

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.

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 Audit for the year ended March 31,2020.

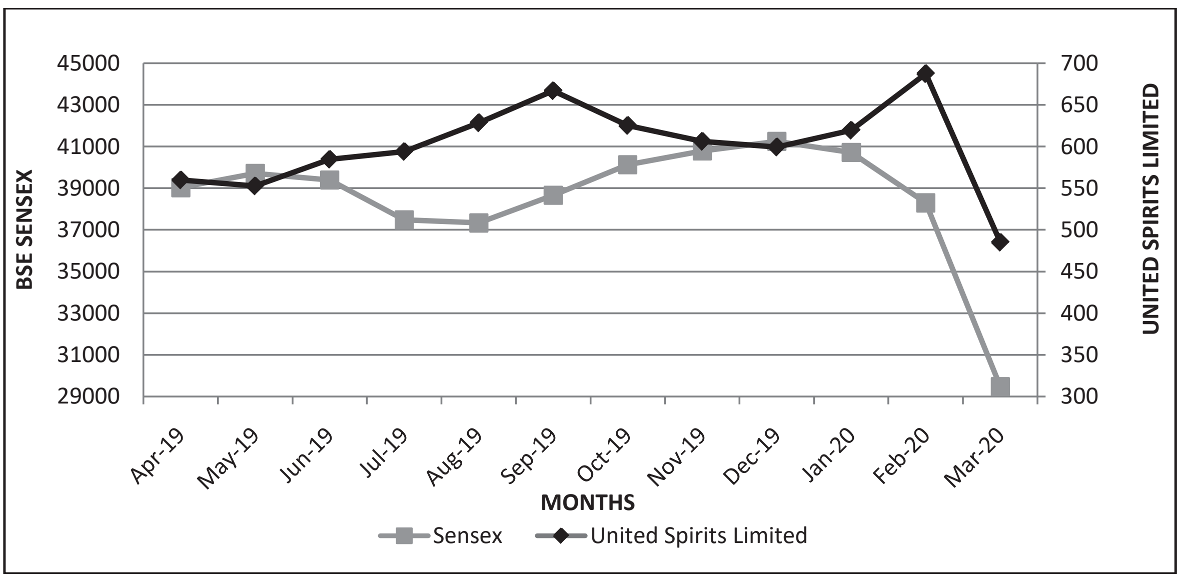
Reporting of internal Auditor

The internal auditor reports directly to the Audit Committee.

ANNEXURE A: MARKET PRICE DATA

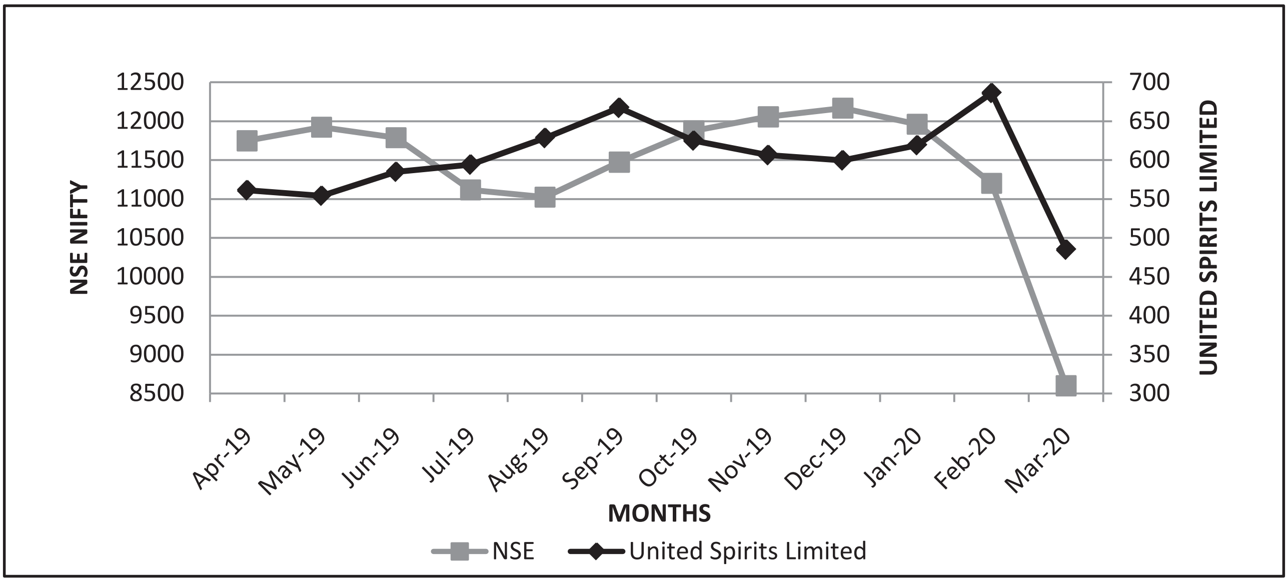
United Spirits Limited - Market Data BSE						United Spirits Limited - Market Data NSE					
Month	Open	High	Low	Close	Volume	Month	Open	High	Low	Close	Volume
Apr-19	555.50	563.20	527.25	559.85	12,58,337	Apr-19	558.40	562.90	527.00	561.10	2,70,53,706
May-19	559.85	563.25	512.45	552.65	16,42,300	May-19	558.90	562.85	513.00	554.05	3,46,24,638
Jun-19	555.00	589.70	511.30	584.70	17,79,639	Jun-19	553.15	589.80	511.25	584.95	3,17,33,776
Jul-19	588.80	609.50	554.10	594.10	14,09,101	Jul-19	586.95	609.50	554.20	594.05	3,40,20,778
Aug-19	592.85	632.40	561.00	628.40	56,15,385	Aug-19	588.05	632.40	561.00	628.25	4,29,68,834
Sep-19	630.00	675.00	594.05	667.00	9,26,754	Sep-19	625.30	674.00	593.85	667.00	2,91,60,203
Oct-19	668.00	668.00	601.65	625.15	9,48,063	Oct-19	667.10	667.75	603.00	624.95	2,64,67,260
Nov-19	626.70	649.75	598.15	606.10	4,96,950	Nov-19	628.85	649.95	598.55	606.25	2,25,91,137
Dec-19	609.00	609.65	574.20	599.35	10,93,621	Dec-19	609.70	609.70	574.15	599.55	2,42,46,051
Jan-20	600.55	663.05	560.00	619.55	31,43,369	Jan-20	601.00	663.30	557.50	619.00	6,38,40,117
Feb-20	619.85	742.95	604.90	687.40	21,73,546	Feb-20	617.00	742.70	611.65	686.35	5,64,39,053
Mar-20	716.00	716.00	443.00	485.05	19,66,064	Mar-20	696.90	702.75	442.65	484.60	4,52,37,103

ANNEXURE B: UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX DURING THE FINANCIAL YEAR 2019-20



Corporate Governance Report (Continued)

USL CLOSE VS NSE NIFTY CLOSE DURING THE FINANCIAL YEAR 2019-20



ANNEXURE C: DISTRIBUTION OF HOLDINGS (AS ON MARCH 31, 2020) Value-wise

Value-wise						
Shareholding of nominal value			Shareholders		Share amount	
₹			Number	% to total	₹	% to total
Upto	-	5,000	122716	98.55	6,50,10,230	4.47
5,001	-	10,000	670	0.54	96,29,396	0.66
10,001	-	20,000	363	0.29	1,04,49,782	0.72
20,001	-	30,000	156	0.13	77,74,244	0.53
30,001	-	40,000	95	0.08	66,16,598	0.46
40,001	-	50,000	70	0.06	63,70,354	0.44
50,001	-	1,00,000	125	0.10	1,79,40,666	1.23
100,001 and above			332	0.27	1,32,94,86,160	91.49
Total			**124527**	**100.00**	**1,45,32,77,430**	**100.00**

Category-wise		
Category	**No. of Shares**	**% of Equity Capital**
Promoter	412,410,600	56.76
Resident Body Corporates (including Clearing Members)	12,654,447	1.74
Banks/FIs/FII/MF/UTI Trust / Central /State Government & Insurance Companies	232,607,433	32.01
NRI/OCB/FCB/FOREIGN NATIONALS	3,572,624	0.49
Venture Capital	1,183,504	0.16
Resident Individuals	64,210,107	8.84
Total	726,638,715	100.00

SHARE CAPITAL HISTORY (SINCE 1999)

Mar 31, 1999	• Company Incorporated • Shares on Incorporation - 60 Nos.	
Jul 09, 2001	• Merger with McDowell & 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	• BGIL* merged with McDowell and Company Limited (Ratio 20:31) **(BGIL – Baramati Grape Industries Limited)**	• Issued 3,37,780 Shares • Pre Issue - 6,04,71,409 Nos; Post Issue - 6,08,09,189 Nos
Nov 06, 2006	• SWDL* merged with McDowell and Company Limited (Ratio 20:7) **(SWDL – Shaw Wallace Distilleries Limited)**	• 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	• TDVL* merged with McDowell and Company Limited (Ratio 4:83) • **(TDVL – Triumph Distilleries & Vintners Limited)**	• 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) **UDIL – United Distillers India Limited**	• 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
Jul 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	• SWCL* merged with United Spirits Limited (Ratio 17:4) **(SWCL - Shaw Wallace & Company Limited)**	• 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	• BDL* merged with United Spirits Limited (Ratio 55:2) **(BDL – Balaji Distilleries Limited)**	• 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

By Order of the Board

Anand Kripalu
Managing Director &
Chief Executive Officer
DIN: 00118324

Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Bengaluru
Date : May 27, 2020

Corporate Governance Report (Continued)

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,
United Spirits Limited, Bengaluru

I have examined the compliance of conditions of corporate governance, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by United Spirits Limited (the Company) for the year ended on March 31, 2020.

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
FCSNo: 6060, CP No. 6137
UDIN: F006040B000285132

Place : Bengaluru
Date : May 27, 2020

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

I have examined the relevant records of the Company and disclosures made by the directors of the Company, relevant information on disqualification and proclaimed offenders as declared by Courts and disseminated on the website of Ministry of Corporate affairs, the Orders and other information available on the website of Securities and Exchange Board of India and the stock exchanges, Reserve Bank of India and information on wilful defaulters as declared by the banks and made available on the web sites of credit information companies registered with the Reserve Bank of India and based on such examination, I hereby certify that none of the directors on the board of UNITED SPIRITS LIMITED (CIN:L01551KA1999PLC024991) as on March 31, 2020 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
FCSNo: 6060, CP No. 6137
UDIN: F006040B000285132

Place : Bengaluru
Date: 27/05/2020

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, 2020.

Bengaluru
May 27, 2020

Anand Kripalu
Managing Director and Chief Executive Officer

CEO/CFO CERTIFICATE

To

The Board of Directors,
United Spirits Limited

A. We have reviewed the standalone and consolidated financial statements for the year ended March 31, 2020 and that to the best of our knowledge and belief

   1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   2. these statements, together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

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

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

We have indicated to the auditors and the Audit Committee:

1. Significant changes in internal control over financial reporting during the year;

2. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Bengaluru
May 27, 2020

Sanjeev Churiwala
Executive Director and
Chief Financial Officer

Anand Kripalu
Managing Director and
Chief Executive Officer

Management Discussion and Analysis

A. Economic scenario

Global Economy: *Before the outbreak of Covid-19 pandemic, global growth was projected to rise from an estimated 2.9 per cent in 2019 to 3.3 per cent in 2020 and 3.4 per cent for 2021. This reflected negative surprises to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years.*

On the positive side, market sentiment had been boosted by tentative signs that manufacturing activity and global trade are bottoming out, a broad-based shift toward accommodative monetary policy, intermittent favorable news on US-China trade negotiations, and diminished fears of a no-deal Brexit, leading to some retreat from the risk-off environment.

Trade policy uncertainty, geopolitical tensions, and idiosyncratic stress in key emerging market economies continued to weigh on global economic activity—especially manufacturing and trade—in the second half of 2019.

In the third quarter of 2019, growth across emerging market economies (including India, Mexico, and South Africa) was weaker than expected, largely due to country-specific shocks weighing on domestic demand.

Furthermore, the COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by – 3 per cent in 2020, much worse than during the 2008–09 financial crisis. In a baseline scenario – which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound—the global economy is projected to grow by 5.8 per cent in 2021 as economic activity normalizes, helped by policy support.

(**Source:** IMF Global Economic Outlook, Jan. '20/ Apr. '20)

Indian Economy: India's GDP growth moderated to 4.8 per cent in H1 of 2019-20, amidst a weak environment for global manufacturing, trade and demand. In 2019-20, fiscal deficit was budgeted at ₹7.04 lakh crore (US$ 99.56 billion) (3.3 per cent of GDP), as compared to ₹6.49 lakh crore (US$ 91.86 billion) (3.4 per cent of GDP) in 2018-19. *Inflation increased from 3.3 per cent in H1 of 2019-20 to 7.35 per cent in December 2019-20 due to temporary increase in food inflation. Reforms undertaken during 2019-20 to boost investment, consumption and exports:*

- *Speeding up the insolvency resolution process under Insolvency and Bankruptcy Code (IBC).*
- *Easing of credit, particularly for the stressed real estate and NBFC sectors.*
- *The National Infrastructure Pipeline for the period FY 2020-2025 launched.*

By integrating "Assemble in India for the world" into Make in India, India can raise its export market share to about 3.5 per cent by 2025 and 6 per cent by 2030 creating 4 crore well-paid jobs by 2025 and 8 crore by 2030.

(**Source:** https://www.ibef.org/economy/economic-survey-2019-20)

In wake of Covid, several leading agencies have projected a sharp dip in India's GDP growth. World Bank puts India's GDP growth forecast in the range of 1.5-2.8%; IMF has projected a growth forecast of 1.9% for F20 followed by a quick turnaround and growth of 7.4% in F21 on a distorted base of fiscal 2020. Oxford Economics expects India's GDP for calendar year 2020 to contract by 1% followed by quick spur in 2021 of 8.9% on the contracted base.

B. Industry overview

India is one of the fastest growing alcohol markets in the world. Alcohol consumption in India amounted to about 5.4 billion liters in 2016 and was estimated to reach about 6.5 billion liters by 2020. The steady increase in consuming these beverages can be attributed to multiple factors including the rising levels of disposable income and a growing urban population among others. Although the average per adult intake of alcohol was considerably low in India when compared to other countries such as the United States, heavy drinkers among young Indians were more prevalent. This provides tremendous opportunity to drive growth of alcobev industry on the back of its rising working-age population. It is expected that per capita consumption will increase with changes in life style and aspiration of the population.

(**Source:** https://www.statista.com/statistics/727026/consumption-of-alcoholic-beverages-india/)

C. Segment-wise or product-wise performance Indian spirits market overview

Industry Performance: 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 2019, the industry experience significant headwinds on back of slower economy growth. The impact of this slowdown has aggravated by the increasing raw material prices.

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.

Consumption Pattern: The states of Karnataka, Maharashtra, West Bengal, Odisha, Telangana, Delhi, Haryana, Punjab etc.

are amongst the largest consuming states for alcobev in India. The most popular channel of alcobev sale in India is liquor stores as its consumption is primarily an outdoor activity and supermarkets and malls are present only in the tier I and tier II cities of India.

Constantly changing regulatory environment: Recently, Government in the State of Andhra Pradesh has changed the route to market by setting up state managed retail outlets and discontinuing private retailers. In contrast, State of Chhattisgarh has rolled back from Govt. controlled to private parties which is expected to flourish the industry.

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.

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:**

  Your company experienced another year of high inflation specially in terms of ENA where average increase in F20 is approx. 30% driven by EBP (Ethanol Blending Policy) & overall demand & supply mismatch. 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 ENA in FY20.

- **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, company secured pricing in multiple states across India.

E. Business analysis company overview

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

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

Management Discussion and Analysis (Continued)

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

1. Strengthen & Accelerate core brands
2. Evolve route to consumer
3. Drive out cost to invest in growth and expand margins
4. Lead USL and industry towards the highest ideals of corporate citizenship
5. Creating a future-ready organisation
   Your Company has been striving hard with a strong focus on premiumisation and at the same time also trying to maximise value from brands in the popular segment.

Strengths

Your Company has 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 +45 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 and gin; and in various price points from Luxury, Premium, Prestige to Popular.

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

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

Your Company's workforce of over about 3,300 regular employees are the key strength in achieving the goals laid down by the Company. Our team has enabled us to emerge as the leading player in the industry, despite facing various industry tailwinds. Gender diversity of about 15% has been achieved and the industrial relations during the year were cordial. There have been no material developments in Human Resource during the year.

F. Business performance

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

1. Strengthen and accelerate core brands

Your Company has embarked on a long-term plan to not just grow revenues year-on-year by increasing market share but to also grow the categories that we play in significantly through expanding areas of consumption as well as providing new flavors/ accessible spirits. This includes a heightened drive at key accounts or premium on-premise venues as well as the channel of wedding & banquets. 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 continue to improvise no effectiveness of A&P spends to win across each of the 3 India's - Affluent, Middle and Aspiring population. Power brands like McDowell's No. 1. Whiskey, 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. Last year renovated launch of McDowell's No.1 Platinum (launched to tap into a distinct consumer taste preference) again grew by ~84% in F20 (on back of ~82% Growth in F19). This has strengthened the portfolio with a strong step-up proposition.

Your company renovated 2 of their most powerful brands i.e. McDowell No.1 and Royall Challenge in late F20. The initial response towards the renovated pack has been overwhelming from trade & consumers. 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 67% of net sales in the financial year ended March 31, 2020.

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 #JWPaintTheWorldBlack and is creating greater traction and engagements digitally through campaigns like #TheTravellingBillBoard. 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, 2020, 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 2020 but also in the coming years. Similarly, loan repayment and reduction in cost of debt led to interest cost savings. Your Company successfully invested these savings in future growth.

4. **Corporate citizenship**

Your Company continued to be the leader in shaping the regulatory landscape and conform to the highest compliance and governance standards. We are 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. In wake of Covid crisis, to help overcome any shortage of hand sanitizers across the country, our manufacturing units are repurposed to produce around 300,000 liters of hand sanitizers. Your company has also committed to donate 150,000 masks to 5 State's Public Health departments to be used by health care professionals and caregivers. Health Cover has been extended to bartenders associated with Diageo World Class Programme in India.

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 continued its journey of premiumization by improving the mix of P&A salience to ~67% in F20. F20 remained a challenging year for the industry on multiple fronts with slowest GDP growth in last many years and sliding consumer confidence index impacting the category growth in general. Our portfolio is uniquely positioned to access the high growth opportunities that the Indian market provides. Your Company has been relentlessly striving to achieve double-digit top-line growth and improve organic operating margin to mid-high teens. To achieve this, your Company is taking all possible efforts to strengthen and accelerate its core brands, upgrade its route to consumer strategy and leverage economies of scale. At the same time, your Company has remained committed to the highest ideals of corporate citizenship. Its integration with Diageo brand portfolio has enabled your Company to establish leadership in terms of both volume and value.

Your Company has strengthened its entire portfolio through a mix of rationalisation and renovation. Prestige and above brands which represent about 67% 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 79.75 million cases as against 81.58 million cases in the previous year resulting in softness in volume by ~2%. Your Company's net sales revenue stood at about ₹91,364 million in the financial year ended March 31, 2020, as against about ₹89,806 million in the previous year. This translate to 1.2% growth over previous year.

With continuous focused on premiumization, overall Prestige & Above segment represented 51% of total volumes (Vs 51% previous year) and 65% of total net sales (Vs 66% previous year)

Management Discussion and Analysis (Continued)

during the financial year ended March 31, 2020. The Prestige and Above segment's net sales were up 0.4%. Under most stressed environment, marginal sales growth in the segment was supported by the continued success of brand renovations including McDowell's No. 1 Whiskey Platinum and Black Dog. The segment reported 1.5% (Vs 12% previous year) volume growth.

The Popular segment represented 49% (Vs 49% previous year) of total volumes and 30% (Vs 32% previous year) of total net sales during the financial year ended March 31, 2020. The Popular segment's net sales shrunk by 4.2% during the financial year ended March 2020 Vs flat growth during last year.

H. Net debts

Your Company's net debt stood at ₹20,730 million as on March 31, 2020. Your Company used profit from operations, proceeds from sale of non-core assets and reduction in working capital to repay its loans amounting to ₹4920 million. This reduction in debt together with renegotiation of borrowing rates and a favourable mix of debt reduced external borrowing cost by 540 million during the financial year.

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

I. Outlook

Your Company remains the leader in India's alcobev industry by virtue of strong portfolio and benefits from the guidance of Diageo Plc, the Company's ultimate holding Company. Diageo 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. 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 such challenges.

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

M. Internal control systems

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.

COVID-19 crisis and related uncertainty posed unique set of challenges in performance of certain controls and evaluation of their effectiveness which required physical presence of employees for performance of the controls and auditors to observe the operations of the controls. In this context, management has performed alternate and additional procedures in evaluating the effectiveness of internal control over financial reporting.

N. COVID-19 assessment

In view of the nationwide lockdown due to the outbreak of COVID-19 pandemic, your company's operations at all of its manufacturing, warehousing and office locations were temporarily stopped from March 25, 2020. Operations have since resumed in a staggered manner beginning May 2020 with adequate precautions being taken in accordance with Government guidelines, and a majority of the Group's manufacturing locations are operational as at the date of approval of financial results. Management is taking appropriate action, as necessary, to scale up manufacturing operations in due compliance with the applicable laws. As at the date of approval of financial results, sales have also resumed in a staggered manner across the country. Your company has a prudent liquidity risk management policy for maintenance of required cash and / or has access to funds through adequate unutilized sanctioned borrowing limits from banks and is confident of servicing its debt obligations as they fall due. The Company has assessed its existing controls and internal financial reporting processes and made appropriate changes, as required, in view of the situation arising due to COVID-19 pandemic. Company has also reviewed its contracts/ arrangements and does not expect any material impact on account of non-fulfilment of the obligations by any party.

O. Key financial and other ratios

Key financial ratios arising from the financials as given below for the financial year ended March 31, 2020 and March 31, 2019 (Fig in ₹ Crores)

	Particulars	31-Mar-20	31-Mar-19
(i)	**Key Financial Numbers (Standalone financial statements)**		
	Share Capital	145	145
	Reserves & Surplus	3,664	2,986
	Total Equity (Net worth)	**3,810**	**3,132**
	Gross Debt (excludes accrued interest and lease liability)	**2,073**	**2,597**
	PAT	705	659
	Share Price	485	553
	Other Income	46	95
	Total Revenue	28,589	28,512
	Total Expenses	27,501	27,589
	Less: Depreciation	-228	-145
	Less: Finance Cost	-191	-220
	Expenses	27,082	27,225
	EBIDTA	**1,507**	**1,287**
	EBIT	**1,324**	**1,237**
(ii)	Inventory	1,836	1,877
	Receivables	2,284	2,518
	Payables	(1,171)	(1,336)
	Net Working Capital	**2,949**	**3,059**
	Revenue from Operations	28,589	28,512
	Less: Excise Duty	19,498	19,532
	Net Sales Value	**9,091**	**8,981**
	Debtors Turnover Ratio		
	Average Receivables	2,401	2,609
	NSV	9,091	8,981
	Receivable Turnover	**3.8**	**3.3**
(iii)	**Receivable Turnover (in days)**	97	110
	Payable Turnover Ratio		
	Average Payables	1,254	1,365
	Purchases (Cogs)	5,022	4,595
	Payable Turnover	**4.0**	**3.5**

Management Discussion and Analysis (Continued)

	Particulars	31-Mar-20	31-Mar-19
(iv)	**Payable Turnover (in days)**	91	105
	Inventory Turnover Ratio		
	Average Inventory	1,857	1,873
	Purchases (Cogs)	5,022	4,595
	Inventory Turnover	**2.7**	**2.5**
(v)	**Inventory Turnover (in days)**	135	149
(vi)	**Interest Coverage Ratio #**		
	Bank Int	191	220
	EBIDTA	1,507	1,287
	Interest Cover	**7.9**	**5.9**
	Interest	191	220
	EBIT	1,324	1,237
	Interest Cover	**6.9**	**5.6**
(vii)	**Return of Capital Employed Ratio**		
	EBIT	1,324	1,237
	Capital Employed	5,883	5,728
	Return on Capital Employed	**23%**	**22%**
(viii)	**Net Profit Margin Ratio**		
	PAT	705	659
	NSV	9,091	8,981
	Net Profit Margin (PAT/NSV)	**8%**	**7%**
(ix)	**Operating Margin Ratio**		
	EBIT	1,324	1,238
	NSV	9,091	8,981
	Operating Margin (EBIT/NSV)	**15%**	**14%**

Summary of Key Ratios

Leverage Ratios

Particulars	F20	F19
Debt-Equity Ratio	0.5	0.8
Interest Cover	8	6

Valuation Ratios

EPS	9.70	9.06
P/E Ratio	50x	61x

Profitabllity Ratios

Return on Equity	19%	21%
Return on Capital Employed	23%	22%

Liquidity Ratios

Inventory Turnover Ratio	135	149
Receivable Turnover Ratio	97	110
Payable Turnover Ratio	91	105

- *Interest coverage ratio has shown improvement during the financial year 2019-20 due to repayment of loans, reduction in borrowing rates at a favourable mix of debt reducing the cost of debt by ₹540 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.*

By Order of the Board

Anand Kripalu
Managing Director &
Chief Executive Officer
DIN: 00118324

Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Bengaluru
Date : May 27, 2020

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, 2020 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 liabilities	Investments	Turnover	Profit/ (loss) before taxation	Provision for taxation	Profit/ (loss) after taxation	Total comprehensive income	Proposed dividend	% of share holding	Country
1	Asian Opportunities & Investments Limited (AOIL)	USD	75.15	70.55	376	-1,187	21	833	0	-	6.54	-	6.54	6.54	-	100	Mauritius
2	Palmer Investment Group Limited (PIG)	USD	75.15	70.55	1,127	-1,127	1	1	0	-	-1.46	-	-1.46	-1.46	-	100	British Virgin Islands
3	Tern Distilleries Private Limited (Tern)	INR	-	-	1,027	-893	195	61	-	-	-59	-	-59	-59	-	100	India
4	Shaw Wallace Overseas Limited (SWOL)	GBP	93.18	89.13	33	-15	19	1	-	-	-1	-	-1	-1	-	100	U.K.
5	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL)	USD	75.15	70.55	0	-1	0	1	-	-	-2	-	-2	-2	-	100	Jersey Islands
6	Montrose International SA (MI)	USD	75.15	70.55	38	55	93	1	-	-	0	-	0	0	-	100	Panama
7	USL Holdings Limited (UHL)	USD	75.15	70.55	38	-63,751	46	63,759	0	-	271	-	271	271	-	100	British Virgin Islands
8	USL Holdings (UK) Limited (UHUKL)	GBP	93.18	89.13	0	-64,006	15	64,021	0	-	-2,821	-	-2,821	-2,821	-	100	U.K.
9	United Spirits (UK) Limited (USUKL)	GBP	93.18	89.13	0	-24,508	11	24,519	0	-	-1	-	-1	-1	-	100	U.K.
10	United Spirits (Great Britain) Limited (USGBL)	GBP	93.18	89.13	0	-24,484	8	24,492	-	-	-1	-	-1	-1	-	100	U.K.
11	McDowell & Co. (Scotland) Limited (MSL)	GBP	93.18	89.13	147	-23	191	67	-	-	61	-	61	61	-	100	Scotland
12	Royal Challengers Sports Private Limited	INR	-	-	0	910	6,071	5,161	-							100	India
13	Liquidity Inc.	USD	75.15	70.55	0	-218	76	294	-	-	0	0	0	0	-	51	USA
14	United Spirits (Shanghai) Trading Company Limited	RMB	10.62	10.15	53	-73.79	1.17	21.83	-	-	-2.95	0	-2.95	-2.95	-	100	China
15	Sovereign Distilleries Limited	INR	-	-	4,851	-4,733	350	231	-	0	-81	-	-81	-81	-	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	75.15	70.55	0.00	-2.11	15.11	17.22	-	-	-0.39	-	-0	-0	-	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 2020 as their financial year end.
3. Names of subsidiaries which are yet to commence operations: Nil.

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: Nil
3. Hip Bar Private Limited became USL's associate with effect from June 25, 2018.

By Order of the Board

Mahendra Kumar Sharma
Chairman
DIN : 00327684

Anand Kripalu
Managing Director and Chief Executive Officer
DIN : 00118324

Sanjeev Churiwala
Executive Director and Chief Financial Officer
DIN : 00489556

V Ramachandran
Executive Vice President & Company Secretary
Membership No.: 10035

Place : Bengaluru
Date : May 27, 2020

Annexure 2

Related Party Transactions

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, 2020 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 North America Inc (DNA)	Import of American Whisky	Fellow Subsidiary	23-Mar-2020	One time	Import of American whisky for production of whisky under Company's brand name on an experimental basis to test the market response of new brand so launched. (not exceeding INR 7 million)	Beneficial to Company's Interest	Nil
2	Diageo Plc	Ultimate holding company		27-Jan-2020	One time	Fund support to recharge the cost incurred on carrying out Market Mix Modelling activity through external Agency	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: There are no material contracts or arrangements or transactions at arm's length basis and in the ordinary course of business for the year ended March 31, 2020.

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.
   (i) 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, 2020.
   (ii) 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
DIN : 00327684

Anand Kripalu
Managing Director and Chief Executive Officer
DIN : 00118324

Sanjeev Churiwala
Executive Director and Chief Financial Officer
DIN : 00489556

V Ramachandran
Executive Vice President & Company Secretary
Membership No.: 10035

Place : Bengaluru
Date : May 27, 2020

Annexure 3

Form No. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2020
[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, 2020, 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, 2020, according to the provisions of:

i. The Companies Act, 2013 (the Act) and the rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii. The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act');

   (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

   (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (No instances for compliance requirements during the year);

   (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);

   (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);

   (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);

   (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (No instances for compliance requirements during the year); and

   (j) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

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 generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. as mentioned above wherever applicable.

I further report that

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

Adequate notices were given to all Directors to schedule the Board meetings, agenda and detailed note on agenda were sent at least seven days in advance and 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. During the year, the board of directors of the Company at its meeting held on December 2, 2019 has approved the scheme of amalgamation and arrangement in relation to the proposed merger of Pioneer Distilleries Limited (Subsidiary of the Company) with the Company and the Company has filed the draft Scheme with the stock exchanges under Regulation 37 of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for obtaining Observation Letter or No-objection letter from stock exchanges before filing the scheme with National Company Law Tribunal pursuant to the provisions of the Act.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040, C.P.No. : 6137
UDIN: F006040B000285101

Place : Bengaluru
Date : 27-05-2020

Annexure 3 (Continued)

ANNEXURE – 3A

SECRETARIAL COMPLIANCE REPORT OF UNITED SPIRITS LIMITED (CIN: L01551KA1999PLC024991) FOR THE YEAR ENDED MARCH 31, 2020.

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

(a) all the documents and records made available to us and explanation provided by **United Spirits Limited (“the listed entity”),**
(b) the filings/submissions made by the listed entity to the stock exchanges,
(c) website of the listed entity,
(d) Relevant Forms and attachments as filed with the Registrar of Companies and other authorities of Ministry of Corporate Affairs.

For the year ended March 31, 2020 (“Review Period”) in respect of compliance with the provisions of:

(a) The Securities and Exchange Board of India Act, 1992 (“SEBI Act”) and the Regulations, circulars, guidelines issued thereunder; and
(b) the Securities Contracts (Regulation) Act, 1956 (“SCRA”), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by The Securities and Exchange Board of India (“SEBI”).

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

(a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
(b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (No instances for compliance requirements during the year);
(c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
(d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (No instances for compliance requirements during the year);
(e) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
(f) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
(g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 (No instances for compliance requirements during the year);
(h) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
(i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
(j) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and circulars/guidelines issued thereunder.

And based on the above examination, I/We hereby report that, during the Review Period

(a) The listed entity has complied with the provisions of the above Regulations and circulars/guidelines issued thereunder including para 6(A) and 6(B) of the Circular of the Securities and Exchange Board of India, CIR/CFD/CMD1/114/2019 dated October 18, 2019 by modifying the Engagement Letter with the Statutory Auditors made earlier on July 29, 2019 by including these conditions in it through a supplemental dated January 22, 2020.
(b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/guidelines issued thereunder insofar as it appears from my examination of those records.
(c) No action was taken against the listed entity/its promoters/ directors/material subsidiaries either by SEBI or by Stock Exchanges (*including under the Standard Operating Procedures issued by SEBI through various circulars)* under the aforesaid Acts/Regulations and circulars/guidelines issued thereunder.
(d) Since there were no observations in previous year report the listed entity was not required to take any action of compliance on observations of previous reports.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040, C.P.No. : 6137
UDIN: F006040B000285101

Place : Bengaluru
Date : 27-05-2020

Annexure 4

FORM MGT-9
EXTRACT OF ANNUAL RETURN
As on March 31, 2020

[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 - 560 001 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, Bengaluru - 560 003 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	99.30
	Total		**99.30**

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	55.94	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)	Edificio Vallarino Penthouse, Calle 52 Y Elvira Mendez, 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 Virgin Islands	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, Park Royal, London, England, NW10, 7HQ	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 500 016 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 - 560 001	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 - 049 910	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 - 600 020	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, 2020)

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

	Category of Shareholders	No. of Shares held at the beginning of the year (As on 01-04-2019)				No. of Shares held at the end of the year (As on 31-03-2020)				% 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	62,550	0	62,550	0.01	62,550	0	62,550	0.01	0.00
	(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.	1,42,86,320	0	1,42,86,320	1.97	59,00,805	0	59,00,805	0.81	-1.15
	(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)	1,43,48,870	0	1,43,48,870	1.97	59,63,355	0	59,63,355	0.82	-1.15
	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.	39,80,61,730	0	39,80,61,730	54.78	40,64,47,245	0	40,64,47,245	55.94	1.15
	(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)	**39,80,61,730**	**-**	**39,80,61,730**	**54.78**	**40,64,47,245**	**0**	**40,64,47,245**	**55.94**	**1.15**
	Total Shareholding of Promoters (A)=(A) (1)+(A)(2)	**41,24,10,600**	**0**	**41,24,10,600**	**56.76**	**41,24,10,600**	**0**	**41,24,10,600**	**56.76**	**0.00**
B	**Public Shareholding**									
	1. Institutions									
	(a) Mutual Funds	3,67,15,510	2,750	3,67,18,260	5.05	4,87,08,473	2,750	4,87,11,223	6.70	1.65
	(b) Banks/FI	3,94,760	48,535	4,43,295	0.06	4,79,772	48,535	5,28,307	0.07	0.01
	(c) Central Govt.	1,25,11,545	-	1,25,11,545	1.72	1,25,11,545	0	1,25,11,545	1.72	0.00
	(d) State Govt.(s)	0	37,605	37,605	0.01	0	37,605	37,605	0.01	0.00
	(e) Venture Capital Funds	0	0	-	-	0	0	0	-	0.00
	(f) Alternate Investment Funds	664984	0	6,64,984	0.09	11,83,504	0	11,83,504	0.16	0.07
	(g) Insurance Companies	151	0	151	0.00	38,15,760	0	38,15,760	0.53	0.530
	(h) FIIs	16,38,57,473	7,435	16,38,64,908	22.55	14,92,28,051	7,435	14,92,35,486	20.54	-2.01
	(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)	**21,41,44,423**	**96,325**	**21,42,40,748**	**29.48**	**21,59,27,105**	**96,325**	**21,60,23,430**	**29.73**	**0.25**
	2. Non-Institutions									
	(a) Bodies Corp.									
	i) Indians	1,27,40,711	1,00,485	1,28,41,196	1.77	1,12,63,969	46,425	1,13,10,394	1.56	-0.21
	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	3,59,04,001	54,19,515	4,13,23,516	5.69	3,93,95,801	49,21,575	4,43,17,376	6.10	0.41

Annexure 4 (Continued)

	Category of Shareholders	No. of Shares held at the beginning of the year (As on 01-04-2019)				No. of Shares held at the end of the year (As on 31-03-2020)				% 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	1,94,21,010	-	1,94,21,010	2.67	1,91,61,574	0	1,91,61,574	2.64	--0.04
	iii) Others	6,177	-	6,177	0.00	4,492	0	4,492	0.00	0.00
	Trust	1,84,53,885	-	1,84,53,885	2.54	1,77,67,507	0	1,77,67,507	2.45	-0.09
	NRI				-				-	0.00
	Clearing Member	36,17,503	-	36,17,503	0.50	13,41,847	0	13,41,847	0.18	--0.31
	Overseas Corporate Bodies		-	-	-		0	0	0.00	0.00
	Unclaimed Suspense Account	9,16,220	-	9,16,220	0.13	9,07,890	0	9,07,890	0.12	0.00
	IEPF	34,07,860	-	34,07,860	0.47	33,93,605	0	33,93,605	0.47	0.00
	Sub-Total (B)(2)	**9,44,67,367**	**55,20,000**	**9,99,87,367**	**13.76**	**9,32,36,685**	**49,68,000**	**9,82,04,685**	**13.51**	**-0.25**
	Total Public Shareholding (B)= (B)(1)+(B)(2)	**30,86,11,790**	**56,16,325**	**31,42,28,115**	**43.24**	**30,91,63,790**	**50,64,325**	**31,42,28,115**	**43.24**	**0.00**
C	Shares held by Custodian for GDRs & ADRs					0.00	0.00	0.00	-	0.00
	Sub Total (C)	-	-	-	-				-	
	Grand Total (A+B+C)	**72,10,22,390**	**56,16,325**	**72,66,38,715**	**100.00**	**72,15,74,390**	**50,64,325**	**72,66,38,715**	**100.00**	**0.00**

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year (As on 01-04-2019)			Shareholding at the end of the year (As on 31-03-2020)			% 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	0	-	-	0	-	-	0.00
2	Kingfisher Finvest India Limited	50,75,000	0.70	0.70	0	-	-	-0.70
3	Relay B V	39,80,61,730	54.78		40,64,47,245	55.94		1.16
4	Mallya Private Limited	0	-	-	0	-		0.00
5	Rossi And Associates Private Limited	1,75,560	0.02		1,75,560	0.02		0.00
6	United Breweries Holdings Limited	88,79,410	1.22	1.13	55,68,895	0.77	0.67	-0.45
7	Vijay Mallya	62,550	0.01	-	62,550	0.01		0.00
8	Vittal Investments Private Limited	1,56,350	0.02	-	1,56,350	0.02		0.00
	Total	**41,24,10,600**	**56.76**	**1.83**	**41,24,10,600**	**56.76**	**0.67**	**0.00**

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	88,79,410	1.22	01-04- 2019	0	NA	88,79,410	1.22
				19-07-2019	-3310515	SOLD	55,68,895	0.77
				31-03-2020	0		55,68,895	0.77
2	VIJAY MALLYA	62,550	0.01	01-04-2019	0	NA	62,550	0.01
				31-03-2020	0		62,550	0.01
3	ROSSI AND ASSOCIATES PRIVATE LIMITED	1,75,560	0.02	01-04-2019	0	NA	1,75,560	0.02
				31-03-2020	0		1,75,560	0.02
4	VITTAL INVESTMENTS PRIVATE LIMITED	1,56,350	0.02	01.04.2019	0	NA	1,56,350	0.02
				31-03-2020	0		1,56,350	0.02
5	DEVI INVESTMENTS PRIVATE LIMITED	0	0.00	01-04-2019	0	NA	-	0.00
				31-03-2020	0		-	0.00
6	KINGFISHER FINVEST INDIA LIMITED	50,75,000	0.70	01-04-2019	0	NA	50,75,000	0.70
				14-02-2020	-5075000	SOLD	0	0.00
				31-03-2020	0		0	0.00
7	MALLYA PRIVATE LIMITED	0	0.00	01-04-2019	0	NA	-	0.00
				31-03-2020	0		-	0.00
8	RELAY B V	39,80,61,730	54.78	01-04-2019	0	NA	39,80,61,730	54.78
				23-08-2019	3310515		40,13,72,245	55.24
				06-03-2020	5075000		40,64,47,245	55.94
				31-03-2020	0		40,64,47,245	55.94

(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 01-04-2019		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2019-20	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
1	CUSTODIAN A C SUDHIR SHANTILAL MEHTA RINA SUDHIR M	1,25,68,776	1.73	01-04-2019	NA	Opening	1,25,68,776	1.73
				31-05-2019	-7680	SOLD	1,25,61,096	1.73
				07-06-2019	10635	BOUGHT	1,25,71,731	1.73
				19-07-2019	3310515	BOUGHT	1,58,82,246	2.19
				02-08-2019	2788	BOUGHT	1,58,85,034	2.19
				23-08-2019	-3310515	SOLD	1,25,74,519	1.73
				06-12-2019	6673	BOUGHT	1,25,81,192	1.73
				14-02-2020	5075000	BOUGHT	1,76,56,192	2.43
				28-02-2020	-5075000	SOLD	1,25,81,192	1.73
				31-03-2020	0		1,25,81,192	1.73

Annexure 4 (Continued)

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01-04-2019		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2019-20	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
2	MOTILAL OSWAL DYNAMIC FUND	1,13,84,790	1.57	01-04-2019	NA	Opening	1,13,84,790	1.57
				26-07-2019	155600	BOUGHT	1,15,40,390	1.59
				09-08-2019	-166003	SOLD	1,13,74,387	1.57
				06-09-2019	-68750	SOLD	1,13,05,637	1.56
				13-09-2019	963	BOUGHT	1,13,06,600	1.56
				20-09-2019	-194680	SOLD	1,11,11,920	1.53
				27-09-2019	-50026	SOLD	1,10,61,894	1.52
				30-09-2019	6	BOUGHT	1,10,61,900	1.52
				04-10-2019	-8	SOLD	1,10,61,892	1.52
				11-10-2019	13	BOUGHT	1,10,61,905	1.52
				18-10-2019	-100022	SOLD	1,09,61,883	1.51
				25-10-2019	-355323	SOLD	1,06,06,560	1.46
				01-11-2019	9	BOUGHT	1,06,06,569	1.46
				08-11-2019	6	BOUGHT	1,06,06,575	1.46
				15-11-2019	10	BOUGHT	1,06,06,585	1.46
				22-11-2019	28	BOUGHT	1,06,06,613	1.46
				29-11-2019	10	BOUGHT	1,06,06,623	1.46
				06-12-2019	9	BOUGHT	1,06,06,632	1.46
				20-12-2019	7	BOUGHT	1,06,06,639	1.46
				27-12-2019	8487	BOUGHT	1,06,15,126	1.46
				31-12-2019	474	BOUGHT	1,06,15,600	1.46
				03-01-2020	5	BOUGHT	1,06,15,605	1.46
				10-01-2020	41	BOUGHT	1,06,15,646	1.46
				17-01-2020	-139283	SOLD	1,04,76,363	1.44
				24-01-2020	192	BOUGHT	1,04,76,555	1.44
				31-01-2020	-444940	SOLD	1,00,31,615	1.38
				07-02-2020	153	BOUGHT	1,00,31,768	1.38
				14-02-2020	-96220	SOLD	99,35,548	1.37
				28-02-2020	30	BOUGHT	99,35,578	1.37
				06-03-2020	-49769	SOLD	98,85,809	1.36
				13-03-2020	288	BOUGHT	98,86,097	1.36
				20-03-2020	247	BOUGHT	98,86,344	1.36
				27-03-2020	-1549141	SOLD	83,37,203	1.15
				31-03-2020	405	BOUGHT	83,37,608	1.15
3	RELIANCE CAPITAL TRUSTEE CO LTD A C RELIANCE ETF J	5,60,722	0.08	01-04-2019	NA	Opening	5,60,722	0.08
				05-04-2019	79547	BOUGHT	6,40,269	0.09
				12-04-2019	-84923	SOLD	5,55,346	0.08
				19-04-2019	37	BOUGHT	5,55,383	0.08
				26-04-2019	3291	BOUGHT	5,58,674	0.08
				03-05-2019	-5905	SOLD	5,52,769	0.08
				10-05-2019	2684	BOUGHT	5,55,453	0.08
				17-05-2019	66066	BOUGHT	6,21,519	0.09
				24-05-2019	235616	BOUGHT	8,57,135	0.12
				31-05-2019	33954	BOUGHT	8,91,089	0.12

Annexure 4 (Continued)

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01-04-2019		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2019-20	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				07-06-2019	1149724	BOUGHT	20,40,813	0.28
				14-06-2019	1605604	BOUGHT	36,46,417	0.50
				21-06-2019	64818	BOUGHT	37,11,235	0.51
				29-06-2019	362271	BOUGHT	40,73,506	0.56
				05-07-2019	937753	BOUGHT	50,11,259	0.69
				12-07-2019	33452	BOUGHT	50,44,711	0.69
				19-07-2019	483995	BOUGHT	55,28,706	0.76
				26-07-2019	-57102	SOLD	54,71,604	0.75
				02-08-2019	-23244	SOLD	54,48,360	0.75
				09-08-2019	-1287994	SOLD	41,60,366	0.57
				16-08-2019	-1029539	SOLD	31,30,827	0.43
				23-08-2019	-601770	SOLD	25,29,057	0.35
				30-08-2019	137960	BOUGHT	26,67,017	0.37
				06-09-2019	-106660	SOLD	25,60,357	0.35
				13-09-2019	12930	BOUGHT	25,73,287	0.35
				20-09-2019	840	BOUGHT	25,74,127	0.35
				27-09-2019	87553	BOUGHT	26,61,680	0.37
				30-09-2019	-139450	SOLD	25,22,230	0.35
				04-10-2019	-43261	SOLD	24,78,969	0.34
				11-10-2019	4913	BOUGHT	24,83,882	0.34
				18-10-2019	-107383	SOLD	23,76,499	0.33
				25-10-2019	7495	BOUGHT	23,83,994	0.33
				01-11-2019	-8073	SOLD	23,75,921	0.33
				08-11-2019	7488	BOUGHT	23,83,409	0.33
				15-11-2019	-26191	SOLD	23,57,218	0.32
				22-11-2019	6405	BOUGHT	23,63,623	0.33
				29-11-2019	71365	BOUGHT	24,34,988	0.34
				06-12-2019	100748	BOUGHT	25,35,736	0.35
				13-12-2019	41895	BOUGHT	25,77,631	0.35
				20-12-2019	298765	BOUGHT	28,76,396	0.40
				27-12-2019	167804	BOUGHT	30,44,200	0.42
				31-12-2019	74888	BOUGHT	31,19,088	0.43
				03-01-2020	-224	SOLD	31,18,864	0.43
				10-01-2020	99043	BOUGHT	32,17,907	0.44
				17-01-2020	-4928	SOLD	32,12,979	0.44
				24-01-2020	554729	BOUGHT	37,67,708	0.52
				31-01-2020	3092341	BOUGHT	68,60,049	0.94
				07-02-2020	1585248	BOUGHT	84,45,297	1.16
				14-02-2020	-576026	SOLD	78,69,271	1.08
				21-02-2020	-99664	SOLD	77,69,607	1.07

Annexure 4 (Continued)

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01-04-2019		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2019-20	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				28-02-2020	170432	BOUGHT	79,40,039	1.09
				06-03-2020	148524	BOUGHT	80,88,563	1.11
				13-03-2020	74827	BOUGHT	81,63,390	1.12
				20-03-2020	-37576	SOLD	81,25,814	1.12
				27-03-2020	-1701335	SOLD	64,24,479	0.88
				31-03-2020	-32540	SOLD	63,91,939	0.88
4	FRANKLIN TEMPLETON INVESTMENT FUNDS	64,09,387	0.88	01-04-2019	NA	Opening	64,09,387	0.88
				21-06-2019	-112099	SOLD	62,97,288	0.87
				06-09-2019	-191962	SOLD	61,05,326	0.84
				27-09-2019	873381	BOUGHT	69,78,707	0.96
				13-12-2019	-348446	SOLD	66,30,261	0.91
				20-12-2019	-284209	SOLD	63,46,052	0.87
				17-01-2020	-25265	SOLD	63,20,787	0.87
				31-03-2020	0		63,20,787	0.87
5	NEW WORLD FUND INC	8,51,711	0.12	01-04-2019	NA	Opening	8,51,711	0.12
				12-04-2019	879041	BOUGHT	17,30,752	0.24
				19-04-2019	657869	BOUGHT	23,88,621	0.33
				26-04-2019	1773034	BOUGHT	41,61,655	0.57
				03-05-2019	665056	BOUGHT	48,26,711	0.66
				29-06-2019	1031645	BOUGHT	58,58,356	0.81
				05-07-2019	2017800	BOUGHT	78,76,156	1.08
				27-12-2019	717415	BOUGHT	85,93,571	1.18
				28-02-2020	-1125326	SOLD	74,68,245	1.03
				06-03-2020	-650902	SOLD	68,17,343	0.94
				13-03-2020	-553011	SOLD	62,64,332	0.86
				31-03-2020	0		62,64,332	0.86
6	ABU DHABI INVESTMENT AUTHORITY XENON	39,02,719	0.54	01-04-2019	NA	Opening	39,02,719	0.54
				26-04-2019	-12122	SOLD	38,90,597	0.54
				17-05-2019	216400	BOUGHT	41,06,997	0.57
				21-06-2019	11314	BOUGHT	41,18,311	0.57
				19-07-2019	-78808	SOLD	40,39,503	0.56
				26-07-2019	-151460	SOLD	38,88,043	0.54
				30-08-2019	-28065	SOLD	38,59,978	0.53
				04-10-2019	-1520	SOLD	38,58,458	0.53
				11-10-2019	-46997	SOLD	38,11,461	0.52
				18-10-2019	-2319	SOLD	38,09,142	0.52
				25-10-2019	47680	BOUGHT	38,56,822	0.53
				01-11-2019	91485	BOUGHT	39,48,307	0.54
				08-11-2019	122593	BOUGHT	40,70,900	0.56

Annexure 4 (Continued)

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01-04-2019		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2019-20	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				22-11-2019	-306566	SOLD	37,64,334	0.52
				29-11-2019	-40367	SOLD	37,23,967	0.51
				24-01-2020	-28774	SOLD	36,95,193	0.51
				31-01-2020	-21389	SOLD	36,73,804	0.51
				07-02-2020	1337952	BOUGHT	50,11,756	0.69
				14-02-2020	778791	BOUGHT	57,90,547	0.80
				21-02-2020	-4920	SOLD	57,85,627	0.80
				28-02-2020	-20070	SOLD	57,65,557	0.79
				06-03-2020	-11711	SOLD	57,53,846	0.79
				31-03-2020	0		57,53,846	0.79
7	ADITYA BIRLA SUN LIFE TRUSTEE PRIVATE LIMITED A C	52,84,436	0.73	01-04-2019	NA	Opening	52,84,436	0.73
				05-04-2019	38648	BOUGHT	53,23,084	0.73
				12-04-2019	476	BOUGHT	53,23,560	0.73
				19-04-2019	-90000	SOLD	52,33,560	0.72
				26-04-2019	-49107	SOLD	51,84,453	0.71
				24-05-2019	105118	BOUGHT	52,89,571	0.73
				31-05-2019	2500	BOUGHT	52,92,071	0.73
				07-06-2019	188222	BOUGHT	54,80,293	0.75
				14-06-2019	33750	BOUGHT	55,14,043	0.76
				05-07-2019	-515000	SOLD	49,99,043	0.69
				19-07-2019	405	BOUGHT	49,99,448	0.69
				26-07-2019	115	BOUGHT	49,99,563	0.69
				02-08-2019	33000	BOUGHT	50,32,563	0.69
				09-08-2019	-1334770	SOLD	36,97,793	0.51
				23-08-2019	-2500	SOLD	36,95,293	0.51
				30-08-2019	180000	BOUGHT	38,75,293	0.53
				06-09-2019	111250	BOUGHT	39,86,543	0.55
				13-09-2019	11552	BOUGHT	39,98,095	0.55
				20-09-2019	17614	BOUGHT	40,15,709	0.55
				27-09-2019	16635	BOUGHT	40,32,344	0.55
				30-09-2019	-35000	SOLD	39,97,344	0.55
				04-10-2019	-71750	SOLD	39,25,594	0.54
				22-11-2019	-13068	SOLD	39,12,526	0.54
				29-11-2019	-9174	SOLD	39,03,352	0.54
				06-12-2019	-40	SOLD	39,03,312	0.54
				17-01-2020	110	BOUGHT	39,03,422	0.54
				24-01-2020	-505	SOLD	39,02,917	0.54
				07-02-2020	526022	BOUGHT	44,28,939	0.61
				28-02-2020	222500	BOUGHT	46,51,439	0.64
				06-03-2020	150000	BOUGHT	48,01,439	0.66
				20-03-2020	92500	BOUGHT	48,93,939	0.67
				27-03-2020	460209	BOUGHT	53,54,148	0.74
				31-03-2020	215006	BOUGHT	55,69,154	0.77

Annexure 4 (Continued)

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01-04-2019		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2019-20	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
8	SOCIETE GENERALE	57,37,113	0.79	01-04-2019	NA	Opening	57,37,113	0.79
				05-04-2019	-580570	SOLD	51,56,543	0.71
				12-04-2019	-108280	SOLD	50,48,263	0.69
				19-04-2019	-1537	SOLD	50,46,726	0.69
				26-04-2019	-66537	SOLD	49,80,189	0.69
				03-05-2019	-400095	SOLD	45,80,094	0.63
				10-05-2019	-162026	SOLD	44,18,068	0.61
				17-05-2019	-323130	SOLD	40,94,938	0.56
				24-05-2019	77273	BOUGHT	41,72,211	0.57
				31-05-2019	-86921	SOLD	40,85,290	0.56
				07-06-2019	-461583	SOLD	36,23,707	0.50
				14-06-2019	-42525	SOLD	35,81,182	0.49
				29-06-2019	296714	BOUGHT	38,77,896	0.53
				05-07-2019	224352	BOUGHT	41,02,248	0.56
				12-07-2019	196849	BOUGHT	42,99,097	0.59
				19-07-2019	34025	BOUGHT	43,33,122	0.60
				26-07-2019	-15750	SOLD	43,17,372	0.59
				02-08-2019	142716	BOUGHT	44,60,088	0.61
				09-08-2019	616875	BOUGHT	50,76,963	0.70
				16-08-2019	176578	BOUGHT	52,53,541	0.72
				23-08-2019	426311	BOUGHT	56,79,852	0.78
				30-08-2019	406504	BOUGHT	60,86,356	0.84
				06-09-2019	442578	BOUGHT	65,28,934	0.90
				13-09-2019	-75532	SOLD	64,53,402	0.89
				20-09-2019	-93155	SOLD	63,60,247	0.88
				27-09-2019	162319	BOUGHT	65,22,566	0.90
				30-09-2019	4831	BOUGHT	65,27,397	0.90
				04-10-2019	156001	BOUGHT	66,83,398	0.92
				11-10-2019	297016	BOUGHT	69,80,414	0.96
				18-10-2019	440225	BOUGHT	74,20,639	1.02
				25-10-2019	23971	BOUGHT	74,44,610	1.02
				01-11-2019	165946	BOUGHT	76,10,556	1.05
				08-11-2019	-320670	SOLD	72,89,886	1.00
				15-11-2019	-112169	SOLD	71,77,717	0.99
				22-11-2019	-23374	SOLD	71,54,343	0.98
				29-11-2019	4877	BOUGHT	71,59,220	0.99
				06-12-2019	11177	BOUGHT	71,70,397	0.99
				13-12-2019	15419	BOUGHT	71,85,816	0.99
				20-12-2019	7473	BOUGHT	71,93,289	0.99

Annexure 4 (Continued)

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01-04-2019		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2019-20	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				27-12-2019	75868	BOUGHT	72,69,157	1.00
				31-12-2019	8252	BOUGHT	72,77,409	1.00
				03-01-2020	53316	BOUGHT	73,30,725	1.01
				10-01-2020	24688	BOUGHT	73,55,413	1.01
				17-01-2020	125679	BOUGHT	74,81,092	1.03
				24-01-2020	167859	BOUGHT	76,48,951	1.05
				31-01-2020	230388	BOUGHT	78,79,339	1.08
				07-02-2020	-353060	SOLD	75,26,279	1.04
				14-02-2020	-217757	SOLD	73,08,522	1.01
				21-02-2020	-2044	SOLD	73,06,478	1.01
				28-02-2020	-1104426	SOLD	62,02,052	0.85
				06-03-2020	-812195	SOLD	53,89,857	0.74
				13-03-2020	-39175	SOLD	53,50,682	0.74
				20-03-2020	17054	BOUGHT	53,67,736	0.74
				27-03-2020	66527	BOUGHT	54,34,263	0.75
				31-03-2020	-28135	SOLD	54,06,128	0.74
9	VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	48,09,187	0.66	01-04-2019	NA	Opening	48,09,187	0.66
				26-04-2019	-127118	SOLD	46,82,069	0.64
				19-07-2019	68524	BOUGHT	47,50,593	0.65
				26-07-2019	29650	BOUGHT	47,80,243	0.66
				23-08-2019	90207	BOUGHT	48,70,450	0.67
				21-02-2020	41214	BOUGHT	49,11,664	0.68
				28-02-2020	40980	BOUGHT	49,52,644	0.68
				06-03-2020	41669	BOUGHT	49,94,313	0.69
				13-03-2020	45739	BOUGHT	50,40,052	0.69
				20-03-2020	161872	BOUGHT	52,01,924	0.72
				27-03-2020	54334	BOUGHT	52,56,258	0.72
				31-03-2020	0		52,56,258	0.72
10	FRANKLIN TEMPLETON MUTUAL FUND A C FRANKLIN INDIA	5,46,279	0.08	01-04-2019	NA	Opening	5,46,279	0.08
				23-08-2019	100000	BOUGHT	6,46,279	0.09
				30-08-2019	400000	BOUGHT	10,46,279	0.14
				20-09-2019	200000	BOUGHT	12,46,279	0.17
				27-09-2019	100000	BOUGHT	13,46,279	0.19
				18-10-2019	50000	BOUGHT	13,96,279	0.19
				08-11-2019	308896	BOUGHT	17,05,175	0.23
				15-11-2019	141104	BOUGHT	18,46,279	0.25
				22-11-2019	200000	BOUGHT	20,46,279	0.28
				06-12-2019	400000	BOUGHT	24,46,279	0.34
				13-12-2019	318462	BOUGHT	27,64,741	0.38

Annexure 4 (Continued)

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01-04-2019		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2019-20	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
				20-12-2019	100000	BOUGHT	28,64,741	0.39
				31-12-2019	150000	BOUGHT	30,14,741	0.41
				03-01-2020	200000	BOUGHT	32,14,741	0.44
				10-01-2020	200000	BOUGHT	34,14,741	0.47
				17-01-2020	1200000	BOUGHT	46,14,741	0.64
				14-02-2020	-218462	SOLD	43,96,279	0.61
				06-03-2020	100000	BOUGHT	44,96,279	0.62
				20-03-2020	100000	BOUGHT	45,96,279	0.63
				31-03-2020	0		45,96,279	0.63

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	-		

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	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**	**-**	**25,966**
Change in Indebtedness during the financial year				
Reclass*	-239	-	-	-239
Addition	2,610	4,073	-	6,683
Reduction	-645	-8,913	-	-9,558
Net Change	**1,726**	**-4,840**	-	**-3,114**
Indebtedness at the end of the financial year				
(i) Principal Amount	1,965	20,730	-	22,695
(ii) Interest due but not paid	-	-	-	-
(iii) Interest accrued but not due	-	157	-	157
Total (i+ii+iii)	**1,965**	**20,887**		**22,852**

Annexure 4 (Continued)

G. Remuneration of Directors and Key Managerial Personnel

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

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	14,11,08,878	4,36,69,342
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	95,08,891	16,95,408
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	-	-
2	Stock Options/other stock related compensation	7,85,87,647	2,56,11,655
3	Sweat Equity	-	-
4	Commission – as % of Profit Others – Specify	-	-
5	Others	-	-
	Total	**22,92,05,416**	**7,09,76,405**

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 and for the Managing Director and CEO effective August 14, 2019.

(ii) The gross remuneration shown above does not include employer's contribution to various retirement funds.

(iii) The value of stock option granted by the parent company Diageo Plc is included above.

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	8,50,000	9,50,000	10,25,000	9,25,000	7,00,000
	Commission	47,00,000	39,00,000	40,00,000	39,00,000	35,00,000
	Others, (Please specify)					
	Sub total	**55,50,000**	**48,50,000**	**50,25,000**	**48,25,000**	**42,00,000**
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	**55,50,000**	**48,50,000**	**50,25,000**	**48,25,000**	**42,00,000**
	Total Managerial Remuneration					

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 Executive Vice-President and Company Secretary
1	Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act,191	1,67,15,552
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5,16,406
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	-
2	Stock Option/other stock related compensation	40,89,921
3	Sweat Equity	-
4	Commission – as % of Profit Others – Specify	-
5	Others	-
	Total	**2,17,65,542**

(i) The gross remuneration shown above does not include employer's contribution to various retirement funds.
(ii) The value of stock option granted by the parent company Diageo Plc is included above.

H. Penalties/Punishment/Compounding of Offences

There has been no penalty or punishment under the Companies Act for the year ended March 31, 2020.

By Order of the Board

Anand Kripalu
Managing Director &
Chief Executive Officer
DIN: 00118324

Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Bengaluru
Date : May 27, 2020

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

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><td>Name of the Director</td><td>Designation</td><td>Ratio to the Median</td><td>Percentage Increase</td></tr>
<tr><td>Anand Kripalu</td><td>Managing Director & Chief Executive Officer</td><td>463:1</td><td>50%*</td></tr>
<tr><td>Sanjeev Churiwala</td><td>Executive Director and Chief Financial Officer</td><td>143:1</td><td>34%*</td></tr>
<tr><td>V Ramachandran</td><td>Executive Vice President & Company Secretary</td><td>44:1</td><td>29%*</td></tr>
<tr><td>Mahendra Kumar Sharma</td><td>Independent Non-Executive Chairman</td><td>11:1</td><td>1%**</td></tr>
<tr><td>V K Viswanathan</td><td>Independent Non-Executive Director</td><td>10:1</td><td>2%**</td></tr>
<tr><td>D Sivanandhan</td><td>Independent Non-Executive Director</td><td>10:1</td><td>1%**</td></tr>
<tr><td>Indu Shahani</td><td>Independent Non-Executive Director</td><td>10:1</td><td>3%**</td></tr>
<tr><td>Rajeev Gupta</td><td>Independent Non-Executive Director</td><td>9:1</td><td>2%**</td></tr>
<tr><td colspan="4">* The percentage increase in the remuneration for Managing Director & CEO, Executive Director & CFO and EVP & Company Secretary from last year was mainly attributed to earnings from stocks.
** 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>(ii)</td><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 2019-20 compared to the median remuneration of employees in the previous year is 1.86 %.</td></tr>
<tr><td>(iii)</td><td>The number of permanent employees on the rolls of company;</td><td colspan="4">The Company had a permanent headcount of 3,382 on the rolls as of 31 March 2020.</td></tr>
<tr><td>(iv)</td><td>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 8% while the increase in the key managerial average remuneration was 44%. 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>(v)</td><td>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
DIN : 00327684

Anand Kripalu
Managing Director and Chief Executive Officer
DIN : 00118324

Place : Bengaluru
Date : May 27, 2020

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, 2020.

A. Employees employed for full year

Sl. No.	Employee Name	Age as of March 31, 2020	Shares held (No's)	Remuneration paid (in INR)	Designation and Nature of employment/ duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
1	Aarif Aziz	45	-	2,68,13,816	Chief Human Resources Officer	PGDM, BE	21	01-01-2019	GE gas power, Global HR Head
2	Abanti Sankaranarayanan	51	-	5,65,74,733	Chief Strategy & Corporate Affairs Officer	PGDBA	28	01-05-2015	Managing Director Diageo India Pvt Ltd
3	Abhishek Shahabadi	42	-	1,27,41,660	Vice President and Portfolio Head, Marketing	B.Com., PGDM-C	20	23-02-2006	Group Head, Madison Communications
4	Ajay Goel	44	-	2,39,55,358	EVP and Financial Controller	B.Com., FCA, ACS	21	18-04-2016	CFO, Supply Chain - GE India
5	Amarpreet Singh Anand	43	-	2,51,68,905	Executive Vice President and Portfolio Head	PGDM	19	02-02-2015	Mondelez International Ltd
6	Amrit Thomas	54	-	9,18,06,676	Chief Marketing Officer	B.Tech, PGDM	28	12-06-2007	Category Head - Beverages, Hll
7	Anand Binani	42	300	1,48,59,764	Vice President - Sales	BSc, PGDM – IIMB	19	16-11-2017	Zomato
8	Anand Kripalu	61	-	22,92,05,416	Managing Director and Chief Executive Officer	B.Tech, PGDM	35	01-05-2014	Managing Director, Cadbury India Ltd
9	Anshu Vazirani	37	-	1,08,76,503	Vice President - Procurement	MBA, M.Tech, B.Tech	14	12-06-2017	GEP Worldwide
10	Arun Goyal	50	-	1,11,78,900	Assistant Vice President - Manufacturing	BE, M.Tech	23	21-02-2011	Head-Project Engineer, Sika India Pvt Ltd
11	Atul Chandra Jha	51	-	1,06,90,487	Senior General Manager - HR Business Partner	PGD (PM&IR), XISS	24	25-04-2016	Reckitt Benckiser
12	Avinash Deoskar	45	500	1,68,18,771	Vice President and Sales Head (East)	PGDM, SIMS	21	18-08-2016	Pernod Ricard
13	Baskaran Thiagarajan	49	-	1,30,36,730	Vice President - Manufacturing (TMU)	BE in Mech Engineering	28	12-01-2017	Heading India Operations - Manufacturing, Avery Dennison India (P) Ltd
14	C Ramanathan	45	-	1,03,99,862	Vice President - Controls, Compliance & Ethics	ACA	23	03-01-2008	Pepsi Co India Holdings
15	Deepak Kumar Katty	56	-	1,63,49,597	Global Commercial Performance Director	MBA	31	28-10-2014	Pernod Ricard
16	Hariharan Krishnan	50	-	1,25,82,424	Vice President- Supply Chain & Logistics	PGDM, BE	25	21-12-2015	Log Market
17	I P Suresh Menon	63	-	1,85,59,910	Adviser-Tax & Regulatory Affairs	BA-English, MBA- Business Management, JBIMS	42	01-04-1985	United Breweries Limited
18	Jagbir Singh Sidhu	50	-	1,85,49,855	EVP & Chief Operating Officer - North	MBA, Punjab University, 1994	25	05-07-2017	Pernod Ricard
19	Julie Bramham	45	-	3,60,65,589	Chief Marketing Officer	BBM	20	01-07-2018	Diageo Plc
20	Kashinath Jha	51	-	1,44,05,565	Vice President - Manufacturing	BE	29	06-09-2016	Reckitt Benckiser
21	Kedar Vivekanand Ulman	46	-	2,93,35,345	Chief Supply Chain Officer	BE, IIM - B	24	24-04-2009	Sr. Manager, Accenture Services Pvt Ltd
22	Keshava Babu C S	48	-	1,09,92,335	Assistant Vice President-Quality	BE	26	03-11-2011	Motorola India Private Ltd - Head Quality Assurance
23	Lal Rangwani	54	1,750	2,29,56,424	Vice President and Sales Head (West)	B.Com., M.Com., PGDBM	34	07-08-1987	Herbertsons TSE
24	Mamta Sundara	43	-	2,92,31,193	EVP and General Counsel	LLB	17	15-02-2015	Senior Counsel - India Projects, Diageo India Pvt Ltd

Annexure 5 (Continued)

Sl. No.	Employee Name	Age as of March 31, 2020	Shares held (No's)	Remuneration paid (in INR)	Designation and Nature of employment/ duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
25	Mathew Xavier	56	-	4,21,19,982	EVP and Chief Operating Officer (South)	PGDM / B.Com.	31	10-11-2003	VP Marketing Erstwhile Swdl
26	Meghna Agrawal	38	20	1,08,02,413	Vice President – Financial Controllership - Operations	CA	14	01-07-2015	Diageo Plc
27	Mohnish Bhasin	45	-	1,06,59,369	Assistant Vice President - Sales	MBA, BE	23	25-09-2006	Mahindra & Mahindra, Sr. Brand Mgr
28	Mona Kwatra	47	-	1,17,26,826	Vice President - Corporate Communications	M.Sc.	25	06-09-2018	Edelweiss Group
29	Navin Jain	47	-	1,08,88,913	Vice President - Taxation	ACA	21	27-12-2018	Vedanta Limited, Gurgaon
30	Nitesh Chhapru	41	-	1,62,60,192	Vice President and Chief Innovation Officer	MBA	15	01-01-2014	Founder Director, The Brahma Innovation Company
31	Pothen Jacob	49	-	1,09,32,266	Senior General Manager - Organization Effectiveness	BE Mech Engineering, MBA Griffith University, Australia	26	21-03-2016	Director, Compensation and Benefits – India and APAC, Sapient (Publicis Groupe)
32	Pradeep Jain	52	-	2,29,11,531	Executive Vice President - Commercial Finance	B.Com., CA	28	04-04-2017	CFO, Pidilite Industries
33	Prathmesh Mishra	50	-	4,78,83,607	Chief Commercial Officer	PGDM, B.A.	22	18-06-2014	Pernod Ricard
34	Rabi Shankar Mishra	42	-	1,02,45,288	Vice President - Sales	PGDM, SIMB	19	03-10-2017	Mondelez
35	Ranjeev Lahkar	45	-	1,12,44,018	Senior General Manager - HR Business Partner	PGDM, XLRI	20	19-11-2018	Colgate Globe Business Services
36	R Chandrashekar	58	-	1,33,15,898	Assistant Vice President - Employee Relations	Bachelors Degree - Others - MA; PG Diploma - Other	35	05-09-1994	Mysore Cements Ltd
37	Rohini Seth	50	-	3,01,73,765	Vice President - National HR Operations	B.A., M.A. in HR	26	29-06-2015	Reckitt Benkiser as HR Head
38	Sandeep Kumar Singal	56	-	3,10,24,385	EVP and Chief Operating Officer (East)	B.Tech., MBA	21	14-10-2015	Head- Branded Retail & Alternate Channels, Tata Tele Services Ltd
39	Sanjeev Churiwala	50	-	7,09,76,405	Executive Director & Chief Financial Officer	ACA, ACS, ACWA & Executive MBA from London Business School	26	16-11-2015	AMBUJA Cements
40	Sanjeev Ganesh	44	100	2,06,83,375	EVP- Procurement	B.Tech., MBA	15	01-04-2010	Managing Consultant, Aqua Management Consulting Group
41	Sanjeev Kumar Gupta	53	35	1,99,69,640	Executive Vice President - Manufacturing Operations	BE, PGD NIIE	31	03-07-2017	Ambuja Cements
42	Shankar Ramanathan	52	-	1,00,56,030	Vice President- Engineering & Projects	BE, MS	25	16-02-2015	Director, Capex and Engineering - Pepsi Co.
43	Shashi Kumar	50	-	1,07,15,936	Vice President - Supply Move	B.E., (Mech)	27	02-02-2015	3M India Limited
44	Shelley Sengupta	44	-	1,47,27,035	Vice President- Consumer Planning & Insights	B.Com., PG Diploma	18	30-11-2007	Head of Qualitative Research Division, South, Synovate India
45	Shovan Ganguli	59	-	1,61,44,048	Senior Vice President- R&D	Ph.D - Organic Chemistry	29	25-02-2013	Hindustan Unilever Limited Platform director- bioscience, nutrition, health
46	Shweta Jain	44	-	1,17,05,440	Vice President - Key Accounts, Luxury and Banquets	MBA	20	11-12-2017	William Grant & Sons

Annexure 5 (Continued)

Sl. No.	Employee Name	Age as of March 31, 2020	Shares held (No's)	Remuneration paid (in INR)	Designation and Nature of employment/ duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
47	Subroto Geed	45	-	2,93,41,550	Executive Vice President and Chief Operating Officer	PGDISM	21	21-09-2015	Nicholas Piramal India Ltd
48	Sumi Vivek	45	-	1,43,15,053	Vice President - IT	B.Tech., PGDBM	21	22-03-2017	IBM Global Services
49	V Ramachandran	58	50	2,17,65,542	EVP and Company Secretary	B.Com., ACA, ACS	33	24-04-2015	Company Secretary – Wipro Limited
50	Vikram Jain	45	-	1,13,62,683	Assistant Vice President - Sales	B.Com., MBA	15	19-01-2009	Senior Manager, Pernod Ricard

B. Employed for the part of the year

Sl. No.	Employee Name	Age as of March 31, 2020	Shares held (No's)	Remuneration paid (in INR)	Designation and Nature of employment/ duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
1	Amrut Aiyamma	47	-	1,09,39,357	VP - Human Resources	MSW, Mangalore University	24	02-05-2019	Dover Corporation India
2	Anurag Khanna	48	-	1,03,53,540	Senior General Manager - Supply Chain & Logistics	B.Tech.	26	29-09-2000	Dabur India Limited
3	G Pulla Reddy	48	-	1,46,42,876	Vice-President - ' Operations Excellence	B.Tech.; M.Tech.	26	15-09-1997	Bhor Industries Limited
4	Ishita Kapur	36	-	1,15,05,851	Vice President & Senior Counsel	Bachelor of Socio Legal Sciences and Bachelor of Laws	13	01-04-2015	Diageo India Private Limited
5	Mital Sanghvi	41	-	41,86,137	Vice President	B.Com, ACS, FCCA, ACA	18	09-12-2019	Provenance Land Private Limited
6	Nicola Burke	46	-	1,06,65,563	Vice President - Customer Marketing	Bachelor of Business, Marketing & Management	25	19-08-2019	Diageo Plc
7	Sandeep Deshwal	38	-	46,91,170	Vice President - Sales	PGDM, BE	17	14-10-2019	Marico Ltd
8	Sanjeev Vijh	50	-	1,02,02,872	Senior General Manager - Corporate Affairs	B.Com. (Hons)	27	25-04-2019	Pernod Ricard India Ltd
9	Saurabh Kumar	41	-	78,10,947	Vice President - Sales Effectiveness & Analytics	B.Tech.	20	18-07-2019	Innovative Foods Ltd
10	Vikram Damodaran	45	-	85,89,095	Vice President - Technical Centre	BE, (Mech)	22	14-10-2019	GE Healthcare

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, retirals etc. and other payments made on such joining / exit.

By Order of the Board

Anand Kripalu
Managing Director &
Chief Executive Officer
DIN: 00118324

Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Bengaluru
Date : May 27, 2020

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. We believe that great risk management starts with the right conversations to drive better business decisions. The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organizational capability with market opportunities and succession planning processes, nurturing specialism and enhancing organizational capabilities through timely developmental inputs. Accordingly, management of risk has always been an integral part of the Company's 'Strategy of Organization' and straddles its planning, execution and reporting processes and systems. To be best performing, we follow holistic and integrated approach, and our global risk and compliance programme brings together our approaches to risk management, internal controls, and compliance and ethics, ensuring that our activities across this agenda focus on the risks that could have the greatest impact. 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:

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

Our approach:

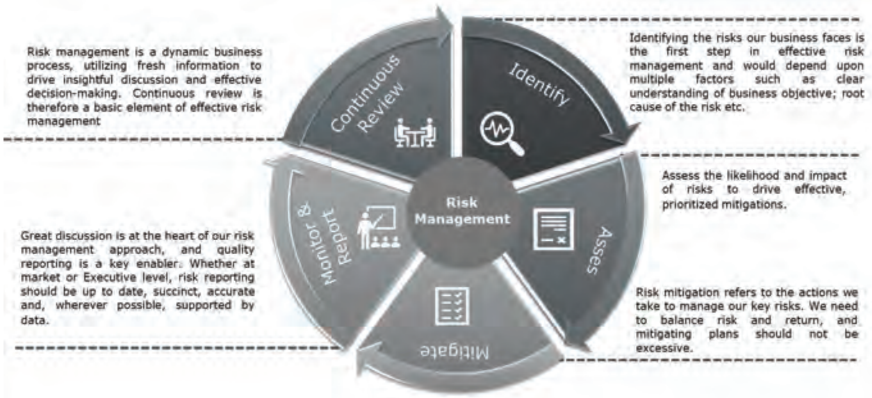
- We take a holistic and end-to-end approach in managing risk.
- All aspects of risk such as commercial, operational, financial, strategic, reputational, and compliance risks, whether internal or external in nature are covered as part of Risk Management Committee meeting.
- Committee is concerned not 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 coordinated process that uses common language of risk and work on the process to either mitigate or reduce the impact of risk. It provides designated owners of the process and risk owners with a framework for defining the essential tasks of risk management to facilitate timely management of change and ensure effective management of risks.

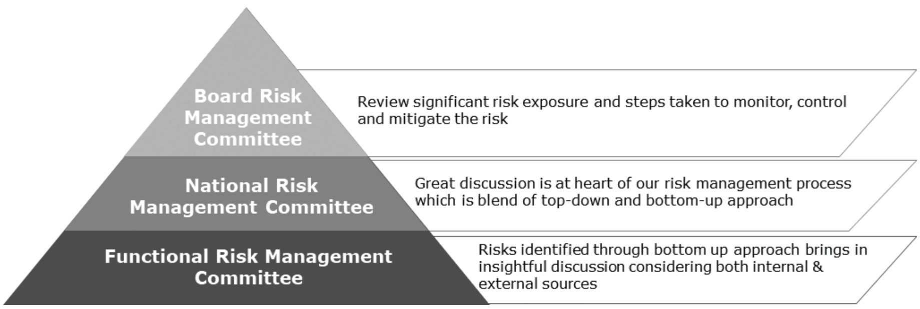
It is driven, demonstrated in action and endorsed by senior management team. The board exercises independent review through Audit Risk Committee.

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

Risks arising out of the choices we have made in defining our strategy and the risks to the successful execution of these strategies are covered in this category for example, risk inherent to our industry and competitiveness are analyzed and mitigated through strategic decisions, market offerings and business models.

Operational

Risks arising out of internal and external factors affecting the policies, procedures, people and systems in our functions, thereby impacting services or operations, compromising our core values or not in accordance with generally accepted business practices are covered in this category.

Legal & Compliance

Risk arising out of threats posed to our financial, organizational, or reputational standing resulting from potential litigations, violations or non conformance with laws, regulations, codes of conduct, or organizational prescribed practices or contractual compliances are covered in this category along with potential risk arising out of major regulatory/geopolitical changes or risks arising out of strategic or business or operational decisions.

Financial

Risk which impacts the Company's financial strength & control environment are classified under financial risk – for example Internal control weakness

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:

Annexure 6 (Continued)

1 Performance 2 Reputation 3 Operational 4 Financial 5 Compliance

RISK	IMPACT	MITIGATION ACTIVITY	RISK DIRECTION
Strategic Risk			
Price increase 1	➢ Profitability unachieved leading to eroding investor confidence	• Data based engagement with external stakeholders • Industry level initiatives in addressing structural barriers to pricing	↓
Operational Risk			
Counterfeiting 1 2	➢ Harm to consumers ➢ Our brand reputation is damaged	• Rolled out Detect & Report training to relevant stakeholders • Ongoing dialogue with the Government and relevant stakeholders	—
Cyber Risk 2 3 4	➢ Financial loss, operational disruption and reputational damage.	• Standardized and enforced patch management process • Implementation and adoption of various best-in-class tools and technologies for information security to create a robust security posture. • Periodic assessment of entire IT systems landscape and governance framework from vulnerability and penetration perspective • Improved IM&S awareness program in line with global processes	—
Legal & Compliance			
Anti-Trust 2 5	➢ Severe damage to our company reputation and/ or significant financial penalty.	• Regular trainings and communications in vernacular language • Contract management framework has been strengthened with review process set for category management and other higher risk commercial agreements.	↓
Data Privacy 2 5	➢ Harm to our reputation with consumers, customers and/or our people. ➢ Non-compliance with data protection regulation resulting in penalties	• Conducted awareness drive on data privacy policy. • Business-level teams identify and meet regulatory obligations and ensure inclusion of emerging requirements in the agreements • Audit procedures strengthened to review the data collection process, its usage and storage.	—
Financial Risk			
Credit Risk 4	➢ Inability to achieve working capital targets	• Collection plan firmed up and being monitored stringently • Third party is engaged for timely liquidation and settlement of disputes	—

— No Change   ↓ Decrease

By Order of the Board

Anand Kripalu
Managing Director &
Chief Executive Officer
DIN: 00118324

Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Bengaluru
Date : May 27, 2020

Annexure 7

Corporate Social Responsibility (CSR)

THE ANNUAL REPORT ON CSR ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2020

(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

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

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

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	FY18-19	FY17-18	FY16-17
Profits/(loss) for CSR Computation	-6422.95	8740.90	2718.5

3. Prescribed CSR Expenditure (two per cent of the Average of the previous three years profits): **INR 33.58 Million (INR 335.8 Lakhs)**
4. Details of CSR spent during the financial year.
    a. The company was required to spend INR 335.8 Lakhs and the company has actually spent **INR 1683.70 Lakhs**.
    b. Amount unspent, if any: - Not applicable.
    c. Manner in which the amount spent during the financial year ended March 31, 2020 is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	**CSR project or 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 outlay (budget) project or program-wise (INR)**	**Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or Programs. (2) Overheads: (INR)**	**Cumulative expenditure up to the reporting period (INR)**	**Spent through implementing agency or directly**
1	**Health and Water:** **<u>Health & Sanitation</u>** ● Supported State Health Department of MH, KAR, TG, AP, WB, HR by providing Mask during Covid 19 crisis. ● Donated sanitizers during Covid 19 crisis. ● Constructed 4 toilets in a Govt. school in Gulbarga, KAR ● Extended support to Pain Relief Centre in Chandigarh **<u>Water</u>** ● Installation 20 Community Water Purification plant in Nagpur ● Jaljhari Project: Installation of traditional Tanka in Balaser region of Jodhpur to conserve water. ● Desilting and repairing of water replenishment structures in Alwar which includes 13 ponds and 20 soak pits ● DE siltation and renovation of 10 Ponds in Rosa area of Shahjahanpur district ● Desilting and repairing of a pond in Alipur village of Gopalpur District.	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.	**<u>Health & Sanitation</u>** Maharashtra, Karnataka, Telangana, Andhra Pradesh, West Bengal, Haryana, Chandigarh **<u>Water</u>** Maharashtra, Odisha, Rajasthan, Uttar Pradesh	**530.45 Lakhs**	**Health & Sanitation- 367.15 Lakhs** **Water- 536.67**	**903.82 Lakhs**	Spent through implementing agency- - Gramodoy Samajik Sansthan, - Indo Grameen Social Service Society, - Niramaya Bahuudeshya Seva Sansthan Covid-19 related relief implemented directly.

Annexure 7 (Continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	**CSR project or 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 outlay (budget) project or program-wise (INR)**	**Amount spent on the projects or Programs Subheads:** **(1) Direct expenditure on projects or Programs.** **(2) Overheads: (INR)**	**Cumulative expenditure up to the reporting period (INR)**	**Spent through implementing agency or directly**
2	**Education:** ● Road safety awareness generation campaign in partnership with Network18 ● Capacity building workshop for enforcement officials and evolved road safety program called Safe System Approach in Pondicherry and Haryana ● Curbing underage drinking through life skill program – Cool Teens ● Setup Road Safety Task Force in association with United Nations Global Compact Network in India to spread awareness on Road Safety. ● Provided K-Yan Machines to a Govt. School in Nasik, MH. ● Supported road safety initiative of Jharkhand Road Safety Department by providing helmet during National Road Safety Week Celebration. ● Learning for Life project- Skill development training for 100 female youths in Yavatmal, MH. ● Engaged 100 underprivileged youths in alternate livelihood activities in Barackpore region of West Bengal. ● Supported women group by providing semi-automated sanitary production machine. ● Conducted Need assessment and baseline in Dhoolpet region of Telangana for engaging the vulnerable community residing in that area into alternate livelihood.	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, Andhra Pradesh, Assam, Odisha, Punjab, UP, West Bengal, Jharkhand, Uttarakhand, Pondicherry, Arunachal Pradesh, Haryana Maharashtra, Karnataka, West Bengal	**677.48 Lakhs**	● **Road to Safety Awareness and Capacity building activity - 461.99 Lakhs** ● **Coolteens - 78.18 Lakhs** ● **Kyan Machine Support - 4.80 Lakhs** ● **Livelihood - 132.51 Lakhs**	**677.48 lakhs**	Spent through implementing agency- - Institute of Road and Traffic Education - Network 18 - Think Through Consultancy - Indeed - Global Compact Network India - IL&FS Education - Orion Edutech
3	**Women Empowerment:** ● Implementation of SHE project in the villages around our manufacturing unit in Rajasthan. Program focus is on empowering women by enhancing capacity and generating awareness on various social aspects. ● Conducted Need Assessment in Rajasthan to design a state level initiative to ensure social security of women in the region	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, Odisha	**40 Lakhs**	● **SHE Project- 40.72 Lakhs** ● **Need Assessment in Rajasthan - 17.70 Lakhs**	**58.42 lakhs**	Spent through implementing agency- - Gramodoy Samajik Sansthan - Indo Grameen Social Service Society - Think Through Consultancy

Annexure 7 (Continued)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	**CSR project or 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 outlay (budget) project or program-wise (INR)**	**Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or Programs. (2) Overheads: (INR)**	**Cumulative expenditure up to the reporting period (INR)**	**Spent through implementing agency or directly**
4	**Environment:** ● Supported beach clean-up activity in Gopalpur ● Raised awareness by celebrating environment day in Alwar and Udaipur	Schedule VII: Ensuring Environmental Sustainability	Rajasthan, Odisha	**5.94 Lakhs**	● **Environment Day Celebration - 2.94 Lakhs** ● **Gopalpur Beach Festival - 3.00 Lakhs**	**5.94 Lakhs**	Spent through implementing agency- - Gramodaya Samajik Sansthan - Gopalpur Beach Festival Society.
5	**Disaster Relief:** ● Supported villages in Neemapara that got affected by Fani Cyclone.	Schedule VII: Support for disaster relief	Odisha	**10 Lakhs**	● **10 lakhs**	**10 lakhs**	Spent through implementing agency- - Charities Aid Foundation
6	**Army Welfare Activities:** ● Support to establish Ecology Park in Fort William ● Support for brave martyrs through Ultimate Run ● Support for war widows through Army Investiture Ceremony ● Support for Literature Festival	Schedule VII: Measures for the benefit of armed forces veteran, war widows and their dependents;	West Bengal, Delhi, Punjab and Chandigarh		● **11.00 Lakhs**	**11.00 Lakhs**	Directly Implemented
7	**CSR Projects administration cost**			**8 Lakhs**	● **8.71 lakhs**	**8.71 lakhs**	Directly Implemented
	Grand Total			**1286.87 Lakhs**		**1683.70 Lakhs**	

Note: The above spend does not include ₹2 crore contributed to Assam Chief Minister's Relief fund and Karnataka Chief Minister's Relief Fund during the year.

1. 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.
2. 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

Place : Bengaluru
Date : May 27, 2020

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 of Energy

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

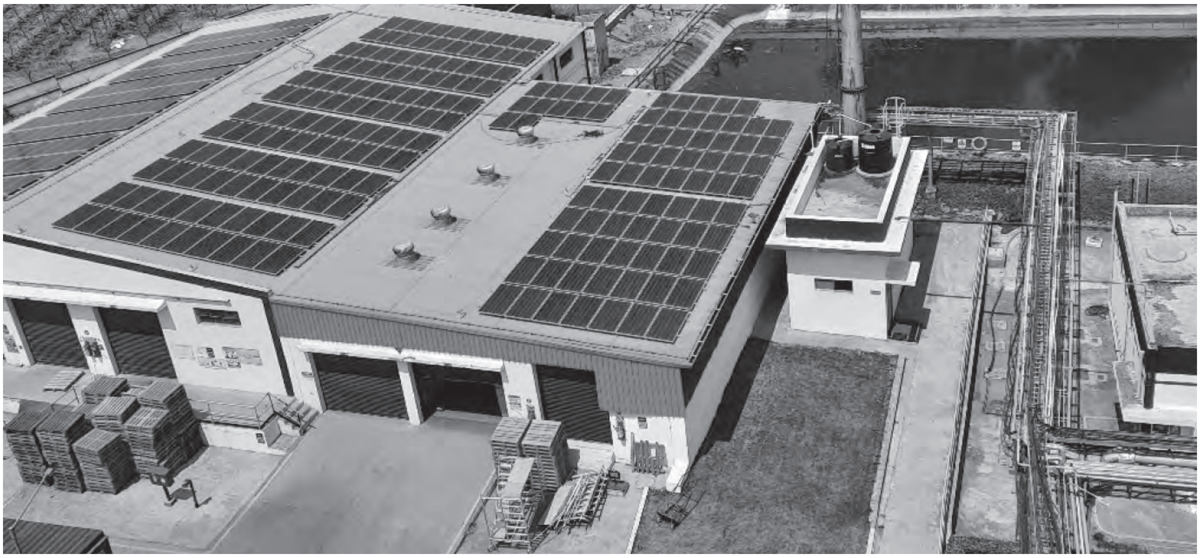
- We continue to work on actions to move towards 100% biomass-based boiler fuel.
- We have started multiple actions across distillery sites to reduce energy consumption reduction and improving energy efficiency.

(ii) Renewable Energy (Own units):

o As an entity, we are improving consistently in the following areas and making steady progress
- We are committed towards achieving 100% renewable energy
- Biofuel based boilers at large distilleries for Process steam requirements
- Self-generation of power through steam turbines
- Equipping Partial Solar systems
- Procurement of IREC certificates against electricity imported from grid

B) Technology Absorption

- Solar Power generation system at Baramati Distillery



C) Foreign Exchange Earnings and Outgo – (INR in Millions)

Foreign exchange earned in terms of actual inflows during the year	3172.77
Foreign exchange outgo in terms of actual outflows during the year	5104.13

By Order of the Board

Anand Kripalu
Managing Director &
Chief Executive Officer
DIN: 00118324

Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Bengaluru
Date : May 27, 2020

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, 2020.

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, 2019 to March 31, 2020*
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-15*
   (a) *Number of International Locations (Provide details of major 5) - Nil*
   (b) *Number of National Locations – 15*
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) -285,892 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 33.58 million (2% of average of last three years profit), and the company has spent 169.37 million in the financial year 2019-20 , which as percentage of profit after tax for the year ended March 31, 2020 is 8.67 %. Additional 2Cr was contributed to Assam Chief Minister's Relief Fund and Karnataka Chief Minister's Relief Fund during the year.*
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 Business Responsibility (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, 2020.*

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?	https://diageo.sharepoint.com/sites/DiageoIndia/Documents/Code%20of%20Conduct-Q2.pdf								

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 inhouse 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

* Refer to P1 to P9 below.

(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*

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?*

   United Spirits Limited (USL) is committed to conducting its business responsibly and in accordance with all laws and regulations to which its business activities are subject. We hold ourselves to the principles in our Code of Business Conduct (our Code), Standards and Policies, which is embedded through a comprehensive training and education programme for all employees. Our Code enables our employees to make the right choices and demonstrate the highest standards of integrity and ethical behaviour.

   Our Code is the key policy governing the compliance and ethics framework of the Company, and it is extended to Suppliers, Contractors and its subsidiaries, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, Tern Distilleries Private Limited and Royal Challenge Sports Private Limited. Further, all Customers and Business partners are covered by Know Your Business Partner (KYBP) process as part of their onboarding process.

   In addition to our Code, the compliance program is also anchored by policies and procedures, prescribed as per the global standards, covering areas such as Anti-bribery and corruption (including guidelines on gifting & entertainment), Prevention of Sexual harassment at workplace, Dignity at workplace and Employee Alcohol aspect, as a part of its commitment to responsible drinking.

Annexure 9 (Continued)

Our Code is available at https://www.diageoindia.com/PR1346/aws/media/8080/code-of-conduct-diageo-india-sept-2019.pdf. Our standard code for suppliers ("Partnering with Suppliers (PwS)") has been extended to Suppliers and Contractors we work with. PwS is available at https://www.diageo.com/pr1346/aws/media/4107/diageo_partnering_w_suppliers_september_2017.pdf

All employees are required to undertake training on the requirements of our Code within 30 days of joining the employment and every year, all employees are also required to complete mandatory eLearning training module on our Code as annual certificate of completion. In addition, during the year trainings on our Code including prevention on sexual harassment at workplace, has also been imparted to all employees and permanent workers in their local languages and leveraged the technology for creating awareness on applicable policies for field sales personnel.

The Company has a whistle-blower mechanism known as SpeakUp, 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 HR Business Partner, Legal Business Partner and Business Integrity member. The Company has a structured Breach Management Standard in place which is in line with Global standard, for timely and conclusive resolution of compliance concerns raised through the whistle blower mechanism. Access has been also provided to raise the concerns to the Chairman of the Audit Committee.

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, 95 cases (including 30 cases in the nature of 'people issue') have been reported through SpeakUp and other internal reporting channels. Out of 95 cases, 92% of cases are closed with one-fourth of cases being substantiated and balance 8% cases are under progress. The decision on sanctions on the reported breaches are determined and monitored by a Compliance Committee, in order to ensure that there is a collective and a fair decision-making process and consistent action in resolving the breaches. The quality of investigation reports and remedial actions are reviewed and monitored by the Global Business Integrity team.

   As a part of the governance framework, the Board of Directors and the Audit Committee regularly review the strategy and operation of the compliance and ethics programme including the breaches reported, through the year. Regular updates are also provided to the senior leadership team on various aspects of the compliance program, not only to set the tone at the top but also as a part of management's commitment to continuous improvement in integrating compliance with the business.

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 & recycled content in packaging.

      (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 continues to ensure reduction of Environment impacts related to Water, Energy & Green House Gas Emissions in the supply chain.

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 refreshed 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.

Annexure 9 (Continued)

Additionally, your Company is implementing the roll out of Sedex, a global collaborative platform for sharing of responsible sourcing data, across its vendor base in a phased manner.

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.

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 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 educates 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.

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 overall 45% recycled content and plan to increase further in future.

Principle 3 : Company's efforts to promote the wellbeing of all employees

1. *Please indicate the total number of employees*
   We have 3382 employees including Executive, permanent workmen and staff.
2. *Please indicate the total number of employees hired on temporary/contractual/casual basis.*
   We have hired 2005 contract or temporary employees and retainers/consultants.
3. *Please indicate the number of permanent women employees.*
   We have 412 permanent women employees.
4. *Please indicate the Number of permanent employees with disabilities.*
   4

Annexure 9 (Continued)

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?*
   54% 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 2019-20, 1 (one) sexual harassment complaint was reported and resolved.
8. *What percentage of your undermentioned 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.*
   The Company, for the last several years has been implementing Project SHE (Security-Health-Education) which is a grassroot program that empowers communities around our plant locations in the semi-urban and rural areas. Through the SHE program we trained and supported women Self-Help Groups (SHG) in setting up a micro enterprise. We have installed institutional framework by setting up of Water, Sanitation and Health (WASH) Committee mostly represented by women to increase participation in identifying and solving challenges related to water, sanitation and livelihood. These WASH committees are technically supported by our NGO partners who have mainstreamed the committees in the formal village development committees under Panchayat. Presently we are working in the villages placed in the vicinity of the Alwar and Gopalpur manufacturing unit. Our program benefits around 10000 women.

   In line with our commitment to build thriving communities, Diageo India is working with varied stakeholders to offer sustainable solutions in areas of Water security, Health, Education, and Women Empowerment, in order to address their immediate and long-term needs. In this context, in partnership with Government of Maharashtra, Diageo India has installed 20 community water purification plants (Water ATMs) in Nagpur, Maharashtra to provide clean and safe drinking water to the local community on one hand and to create livelihood opportunity and source of income for the community women on the other.

   The 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, civil societies and other likeminded partners to create awareness and tackle the road safety issue at a holistic level. 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. This year we have trained 2,942 Enforcement Officials both from police & traffic department, through 5 Capacity building workshops. In addition to this we have launched "Safe System Approach" in partnership with Pondicherry and Haryana Government, which not only focuses on enhancing the capacity of the enforcement officials but also covers detailed assessment of Roads, traffic signals, crash investigation and data management. We have also donated high-quality breath analyzers 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 human right policy of the Company is extended to and it is applicable to the Group / Joint Ventures / Suppliers / Contractors and

Annexure 9 (Continued)

subsidiaries namely Pioneer Distilleries Limited, Sovereign Distilleries Limited, Tern Distilleries Private Limited and Royal Challenge Sports Private Limited.

2. *How many stakeholder complaints have been received in the past financial year and what per cent was satisfactorily resolved by the management?*

   During the year, one case was reported and resolved.

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. We are now in the process of launching the road map till 2030.

   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.

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 87% 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. Now we are in the process of launching a road map beyond 2020 to stretch the actions further.

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 the last 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.

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.

Annexure 9 (Continued)

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'

   Our Road Safety education programme largely focuses on building awareness amongst commuters and enhance capacity of the enforcement officials on the aspects of Road Safety and responsible consumption. Over the last five years, since 2014, Diageo India has endeavored to make Road Safety a nation-wide movement in order to make Indian roads safer for drivers, passengers and pedestrians alike. Originally the initiative started as a "Don't Drink and Drive" campaign, as a part of Diageo's commitment to promote responsible consumption of alcohol. But the Company soon realised that the magnitude of road safety in India are far bigger than was commonly thought and the issues impacting safety on roads are more serious, complex and go far beyond just driving under the influence of alcohol. The Company decided to support the Government and adopted a multi-pronged – National, State, Community approach while augmenting and revitalizing the Road Safety framework across India. To achieve this Diageo partnered with central and state governments, police and other authorities, NGOs, media houses, celebrities and members of civil society. The company devised a 360 degree integrated stakeholder approach covering all the four pillars of Road Safety that is Education, Enforcement, Engineering and Emergency. The success of this multi-year commitment is also apparent from the fact that the issue of Road Safety is now firmly placed on the policy making agendas of central and state governments.

   Diageo – Network 18 Road to Safety Programme

   In order to spread regional awareness on the topic of Road Safety, we partnered with Network 18 to launch a nationwide Road Safety Awareness campaign more embedded & relevant. The programme covered through Network 18's 3 national and 14 regional channels reaching over 67.2 viewers on air and 22.5 Mn viewers through the digital medium, received over 3 Mn pledges to 'Never Drink & Drive'. The programme featured 14 regional panel discussions on Road to Safety by engaging key stakeholders from respective states, pledge drive, education on safe driving involving good Samaritans and celebrities.

   https://www.firstpost.com/diageoroadtosafety/#home

   Diageo – Road to Safety Capacity Building Programme

   We run a national programme on capacity building of enforcement agencies 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. It is a three-day training program, which focuses on capacity building on misuse of alcohol, enforcement related to drunken-driving offences, types of breath alcohol analyzers to be used and post-crash investigation. This year we have trained 2,942 Enforcement Officials both from police & traffic

Annexure 9 (Continued)

department, through 5 Capacity building workshops conducted in Arunachal Pradesh, Tripura, Gujarat, West Bengal & Karnataka. This year the program was also extended to Navy officials upon their request.

Diageo India associated with Pondicherry Government and Haryana Government with the aim to mitigate the high occurrence of road crashes leading to serious injuries and deaths, as well as to improve the efficiency of movement of road traffic along with capacity building of the Government agencies.

Diageo – "Safe System Approach" project on Road to Safety

"The state has witnessed 13% Decrease in Road Accidents, 21% Reduction of Road Fatalities, 20% Decline of Serious Injuries In Pondi City area after successful execution of the project".

Diageo – "Responsible Youth" and School Conclave Programme

Responsible Youth Programme – This unique initiative is being conducted in association of IRTE and Universities in India. It is a first time ever planned training programme for the University students generating awareness on Driving Regulations, Techniques of Defensive Driving, Importance of Seat Belts, helmets and the nuances of drunken driving. This initiative does not only support those who have applied for a learner's license, but also the youth who have procured the permit without proper training and understanding.The programme has been implemented in association of MORTH (Ministry of Road Transport and Highway.)

Under the School Conclave initiative, teachers of the schools gets trained on the basics of road laws, driver education and behavior, the current status of road environment and enforcement, causes and hazards which lead to road accidents and post-accident management. We have so far trained 2,282 students and teachers from 3 Universities and 14 schools in 6 States with an objective to inculcate responsible driving habits among young adults.

Cool Teens Programme

In the recent past, trends have shown that there is a lot of pressure among teenagers to come across as 'cool' – a notion that each one creates based on what he/she thinks will lead to popularity and acceptability among peers. When the notion of 'cool' translates into making negative choices stemming from ignorance, it is imperative for educators to transfer essential knowledge skills and attitudes which help adolescents make informed choices.

To address the issue and reach out to the school community, Diageo India and Pernod Ricard India joined hands to conceptualize and design a Life Skills program which was titled 'Cool Teens'. The approach to the whole programme was based on the life skills whereby the sensitive topic of substance abuse is handled in context of the psycho-social problems being faced by adolescents. The students across class VIII- XII were covered under the programme. This year the program has covered 35,700 students across 7 states in India spanning over 58 schools.

(b) Key community programmes

(i) Women empowerment:

Embedding human rights, empowering women and building skills are essential facets of our sustainability strategy. We are uplifting the lives of women, from diverse socio-economic backgrounds, by giving them opportunities to learn and develop skills. We tailor our approach, taking into account the specific needs of these women, shifting them to self-sustaining revenue-generating operating model.

Our grassroots program helps build thriving communities around our two bottling plants in the rural areas of the country. We have been implementing various programmes under SHE for the last few years in partnership with local NGOs. We trained and supported Self-Help Groups (SHG) of women in setting up a micro enterprise. We have institutionalized the framework by setting up WASH (Water, Sanitation and Health) committee mostly represented by women to increase their participation in identifying and solving challenges related to water, sanitation and livelihood. These WASH committees are technically supported by our NGO partners who have mainstreamed the committees in the village Panchayats. Presently we are working in the villages placed in the vicinity of the Alwar and Gopalpur manufacturing unit. The project benefitted around 6,844 individuals in which 4,671 were women.

As an extension of our sanitation program to inculcate hygienes practices in the community where we have our manufacturing plant, Diageo India, in consultation with the village local bodies installed 5 community toilets in Gulbarga, Karnataka. Our NGO

Annexure 9 (Continued)

partner worked closely with local authorities to promote the use of the toilets among the community. 1,370 people benefitted among them 639 are women.

As an extension of our SHE project, we have also designed STREE, a project focusing on awareness generation on menstrual health and promote use of Sanitary pad. The intervention also focuses on providing income generating opportunities for the women group. We supported a group of 25 women by providing them with Sanitary Pad manufacturing machine. In phase1 of the project, these women have produced around 1.5 lakh which has increased the average monthly income of the SHG members to INR 3,000. The group is now working to produce the next lot using eco-friendly materials while trying to create more awareness around menstrual hygiene. 2,000 women & adolescents from 6 villages are benefitting from our project. Improved income through the intervention has resulted in improved health for women members along with increased participation in village communities. Additionally, near our bottling plant in Baramati, Maharashtra, a women SHG has been working to create awareness around menstrual hygiene which also includes use of sanitary pad for 30,000 women in the nearby villages. As they planned to scale up, we decided to extend support which aims to benefit over 1 Lakh women. For this we have provided a new machine to increase the production capacity of sanitary pad manufacturing unit run by the SHG member with support from a NGO partner.

(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.

"In Rosa-Uttar Pradesh we are repairing" 10 ponds in the villages which are situated in the vicinity of our manufacturing unit. These ponds are the source of potable water for the villages as the community uses these water sources for their day to day work and agriculture. 11,489 people from 7 villages will be benefitted from the project.

Alwar in Rajasthan is a severely water stressed area and our unit is located in Red Zone. Hence as part of our commitment, we are working to make Alwar Water Positive through various water replenishment activities that has implemented in the surrounding villages of Alwar. Our community water replenishment target is 37000 cum in which we have already completed 17000 cum.

To increase the water storage capacity of the pond, we are carrying out pond desilting work for the community that habitats around our Gopalpur unit. With increase in storage capacity the water from the desilted pond can be used both for day today work as well as for irrigation purpose. 1894 beneficiaries have benefited from village Alipur in Gopalpur district.

With 10% of the country's land mass but only 1.1% surface water, rainwater harvesting is the backbone of water supply in rural areas in Rajasthan. Our intervention in Jodhpur, which is the second biggest region in a commercially important state, is designed to meet the water requirements of most vulnerable households in the region to ensure their access to water. Storage of rainwater in Tanka (underground cisterns) is a common practice in the region. Once fully filled, the water is enough for a family of 4-5 members for a period of 5–6 months; and saves them from every day-water-fetching-drudgery. 60 families will be directly benefitted by the project.

Diageo embarked on an innovative project in parts of Maharashtra that not only provide safe and clean drinking water to villagers, but also provides a means of livelihood to local women forming Self-Help Groups (SHGs). At the invitation of the state government, Diageo decided to set up 20 community water purification plants with chillers and water ATMs in the villages of Kamptee, Mauda and Nagpur talukas of Nagpur district. Once the Water ATMs were set up, they were handed over to the local Gram Panchayat with the condition that they would be operated and maintained by women's SHGs from each village. This pure, chilled (crucial in a region where summer time temperatures soar to 45 Celsius) water is available to the villagers at a cost of just 20 paise a litre, as opposed to the market rate of ₹10-15 per litre. In addition, this project has also a direct impact in improving the health of the community and accordingly minimizes the regular expenditure of the families for health wellness. This impact has increased the ownership level of the community and now the local authorities has mandated the use of the water from the plant for any occasions in the village. 44,516 people (21,369 are Women) benefitted under the project from 25 villages and 200 women directly benefitted from the 20 SHGs who are engaged in operation and maintenance of the unit.

Annexure 9 (Continued)

(iii) Learning for Life:

Diageo India partnered with Pratham to impart skills training to 100 underprivileged female youth from in and around Yavatmal district in the field of Hospitality at Pratham's centre at Ralegaon and to assist them for consequent gainful employment. The eligibility criterion for joining the course intentionally focuses on interest and inclination among applicants rather than high school completion, and the program encourages participation by those who have had very little or no formal education beyond the 8th grade level. The course is 2 months long (600 hours duration) and the syllabus is created in conjugation with the THSC (Tourism & Hospitality Skill Council). Upon completion of the course, stuFdents are placed with Pratham's placement partners which include nearly all the major 3 to 5-star hotel chains, including Marriott, Fortune, Lemon Tree, etc. This course is run in affiliation with the National Skill Development Corporation with placement rate over 98%, with an average salary of about INR 8,000 plus food and accommodation (varies across regions).

Enforcement drives for tackling illicit liquor production has resulted in stopping livelihood for communities that solely dependent on the same. Hence our program learning for life also extends to these communities and provide them with skills for alternate livelihood. As a pilot in West Bengal, we have trained 100 youths and the training included CCTV Installation Technician and Automotive Service Technician 2 & 3 wheelers. It was a 60 days training and 2 Batch of 50 candidates for each trade was engaged. Along with the training, counselling of the candidate was conducted time to time to motivate them for positive engagement. 94% candidates have been placed in various organization under various roles with an average salary of INR 6,000/- and among them 6 has initiated their own business.

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 54.49 Million
   - Health: INR 36.71 Million
   - Women: INR 5.84 Million
   - Livelihood: INR 13.25 Million
   - Water: INR 52.66 Million
     Environment & Disaster Relief: INR 0.52 Million
   - Employee Volunteering: INR 1.83 Million
   - Army Welfare: INR 1.1 Million
   - Admin Cost for CSR activities: INR 0.87 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 SHE to:

   - Raise ownership
   - Increase potential of success
   - Mitigate risks
   - Diminish failure (e.g. to ensure that systems are not used to sabotage/vandalise)

Annexure 9 (Continued)

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 120 customer complaints and out of which 6 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

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.

By Order of the Board

Anand Kripalu
Managing Director &
Chief Executive Officer
DIN: 00118324

Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Bengaluru
Date : May 27, 2020

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, 2020, 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, 2020, its total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year 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) We draw attention to Note 58 to the standalone financial statements which explains the management's assessment of the financial impact due to the lockdown and other restrictions related to the COVID-19 pandemic situation and that the eventual outcome in the subsequent period may be different than that estimated due to the uncertainties involved.

   b) 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.

   c) As explained in Note 42(a) to the standalone financial statements, the Company has commenced the rationalisation process for divestment/liquidation/merger of certain overseas subsidiaries including step down subsidiaries. The completion of the above process is subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential historical non-compliances with applicable laws, if established.

   d) As explained in Note 44 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.

   e) Note 45 to the standalone financial statements which describes the various regulatory notices and

Independent Auditors' Report (Continued)

communications received from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') and Company's authorised dealer banks ('AD') to which the Company has responded to.

f) 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"). In June 2019, a single judge bench of the Court has issued an order dismissing the writ petition filed by the Company. The Company disputed the order and filed an appeal against this order before a division bench of the Court. During the quarter ended September 30, 2019, the division bench of the Court reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the pledged assets of the Company by the bank. In January 2020, the division bench of the Court admitted the writ appeal and extended the interim stay. Based on management assessment supported by external legal opinions, the Company has disclosed the aforesaid amount of INR 459 million under Other Non-current financial assets as recoverable from the bank. In a separate proceeding before the Debt Recovery Appellate Tribunal, the bank's appeal against the judgement awarded by Debt Recovery Tribunal in favour of the Company in respect of attachment of the aforesaid pledged shares for recovery of the loans advanced by the bank to Kingfisher Airlines Limited is pending disposal.

g) As explained in Note 47 to the standalone financial statements, the Company came across information suggesting continuing past practices resulting in differences in reporting to the relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process. Related actions taken and monitoring of future development by the Company in this respect have been described in the said note.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
a) Assessment of Expected Credit Loss (ECL) provision in respect of Loans to subsidiaries (Refer Note 5 and 31 to the standalone financial statements) The Company has outstanding loans due from some of its subsidiaries aggregating to INR 62,943 million (March 31, 2019: INR 60,616 million) as at year end against which it carries a provision of INR 59,123 million (March 31, 2019: INR 54,363 million). 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. During the year, the Company has made a (net) provision for credit loss of INR 478 million. We considered provisioning for credit loss on loans to subsidiaries as a key audit matter as estimation of credit loss provision requires management to make significant assumptions on forward looking information for subsidiaries such as financial projections, other resources and the ability of the subsidiaries to repay those loans.	Our audit procedures included the following: • Understood, evaluated and tested the design and operating effectiveness of Company's 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.

Independent Auditors' Report (Continued)

Key audit matter	How our audit addressed the key audit matter
b) Assessment of the appropriateness of provisions recognised and contingent liabilities disclosed in respect of certain tax matters (Refer notes 8, 17 and 49 to the standalone financial statements and Appendix 1 to Annexure A of the Audit Report) As at March 31, 2020, 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. 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.	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 by comparing it to the requirements of the relevant accounting standards. • Obtained management's assessment in respect of tax demands on whether tax outflow is either probable, possible or remote. • Evaluated the management's assessment with the help of auditors' experts, where necessary, as follows: o For the samples selected, read the correspondences received during the year from the tax authorities/orders from appellate authorities. o Read views provided by the management/management tax experts as applicable. o Assessed management's positions on significant tax exposures in accordance with tax laws and past precedents of tax judgements. 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 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.
c) Sufficiency of procedures performed for obtaining comfort over existence and condition of inventory (Refer note 10 to the standalone financial statements) As at March 31, 2020, the Company has inventory comprising raw materials, packing materials, work in progress, finished goods, stock in trade and stores and spares aggregating to INR 18,361 million spread across multiple locations. The Company has a cycle count programme to verify inventories between one to four times a year based on the value of inventory in each location during the year. Such cycle counts until February 2020, covering substantial inventory by value, were performed by a third party firm ("consultant") appointed by management. However, the remaining cycle counts planned in the month of March 2020 for certain locations could not be completed by the management/consultant due to COVID-19 travel restrictions and lockdown. Post the relaxation of the lockdown restrictions, the Management completed the remaining cycle counts in the months of April and May 2020. Management also performed the necessary roll back procedures to obtain comfort over existence and condition of inventories at such locations as at March 31, 2020.	Our procedures included the following: • Understood, assessed and tested the design and operating effectiveness of the Company's controls in respect of cycle count of inventory and perpetual inventory system. • We tested the controls by way of inspection of reports issued by the consultant during the year and by way of physical verification of cycle counts performed at certain locations subsequent to the year end. • For certain other locations having high value of inventory where we could not observe physical verification due to travel restrictions imposed by the Government, we relied on the inventory observation by an independent local firm of chartered accountants appointed by the Management. • We tested the workings performed by management to obtain evidence about whether changes in inventory between the count date and the date of standalone financial statements are properly recorded and supported by underlying documents.

Independent Auditors' Report (Continued)

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter as: • The value of inventory, including the inventory held at the aforesaid locations, is significant to the standalone financial statements. • As our attendance at the inventory count at the aforesaid locations was impracticable during the month of March 2020, we had to perform alternative audit procedures to obtain sufficient appropriate evidence regarding the existence and condition of inventory at those locations.	

Other Information

6. The Company's Board of Directors is responsible for preparation of the other information. The other information comprises the information included in the Report of the Directors, Business Responsibility Report, Corporate Governance Report and Management Discussion and Analysis, but does not include the standalone financial statements and our auditor's report thereon.
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 information, we are required to report that fact.

   We have nothing to report in this regard.

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

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

Independent Auditors' Report (Continued)

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.

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.

    e) On the basis of the written representations received from the directors as on March 31, 2020 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

    f) With respect to the adequacy of the internal financial controls with reference to the standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

    g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in

Independent Auditors' Report (Continued)

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, 2020 on its financial position in its standalone financial statements – Refer Notes 8, 17, 43, 44, 46 and 49 to the standalone financial statements;

ii. The Company has long-term contracts for which there are no material foreseeable losses. The Company did not have derivative contracts as at March 31, 2020 – Refer Note 55 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, 2020 except for three instances aggregating to INR 1 million with delays ranging from 1 to 28 days; and

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2020.

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

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

Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 20039985AAAACF1843

Place : Bengaluru
Date : May 27, 2020

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, 2020

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 or in the names of the companies which got amalgamated into the Company through various schemes approved by the courts in earlier years, except as disclosed below:

Particulars	Freehold land	Buildings
Number of properties	1	1
Gross carrying amount as at March 31, 2020 (INR millions)	1	339
Net carrying amount as at March 31, 2020 (INR millions)	1	310

The above table does not include certain immovable properties for which the management has furnished photocopies of the title deeds and other corroborative documents to evidence the ownership of the properties.

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 or after the year end for certain locations where the count could not be performed in March 2020 in view of the lockdown consequent to the outbreak of Covid-19 pandemic. In respect of inventory lying with the third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. There are no companies 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 49 (d) to the standalone financial statements and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues in respect of employees' state insurance, value added tax and professional tax though there has been slight delay in a few cases and is regular in depositing other undisputed statutory dues in respect of tax deducted at source, tax collected at source, sales tax, duty of excise, income tax, duty of customs and other material statutory dues, as applicable, with appropriate authorities. Further, for the period March 1, 2020 to March 31, 2020, the company has paid Goods and Service Tax and filed GSTR- 3B after the due date but within the timelines allowed by Central Board of Indirect Taxes and Customs under the Notification number 32/2020 and Circular no. 136/06/2020 dated April 3, 2020 on fulfilment of conditions specified therein.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, value added tax, service tax, duty of customs, duty of excise and entry tax as at March 31, 2020 which have not been deposited on account of a dispute are disclosed in Appendix 1 to this report. There have been no dues of goods and services tax which have not been deposited on account of a dispute.

Annexure A to Independent Auditors' Report (Continued)

viii. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.

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

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.

xiv. The Company has not made any preferential allotment of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with them. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

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

Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 20039985AAAACF1843

Place : Bengaluru
Date : May 27, 2020

Annexure A to Independent Auditors' Report (Continued)

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

Referred to in paragraph vii(b) of Annexure A to the Independent Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2020

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	631	616	15	2006-07 to 2008-09	Assessing Officer of Income Tax
Income Tax Act, 1961	Income Tax	501	414	87	2005-06, 2009-10, 2012-13 and 2013-14	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	7,878	-	7,878	2015-16	Dispute Resolution Panel
Income Tax Act, 1961	Income Tax	23,836	9,627	14,209	1988-89, 1989-90, 1991-92, 1993-94, 1995-06 to 2000-01, 2002-03 to 2008-09, 2010-11 to 2014-15	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	4,256	850	3,406	1985-86 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	2	-	2	2012-13	High Court of Kerala
Service Tax - Finance Act, 1994	Service Tax	2	-	2	2005-06	Supreme Court
Central Excise Act, 1944	Central Excise Duty	1,473	84	1,389	1994-95, 1999-2000 and 2017-2018	Commissioner of Central Excise
Central Excise Act, 1944	Central Excise Duty	2	-	2	1999-2000	Deputy Commissioner of Central Excise
Karnataka Sales Tax Act, 1957	Sales Tax/ Value Added Tax	3	-	3	2006-07	Civil Court, Karnataka
West Bengal Sales Tax Act, 1994	Sales Tax/ Value Added Tax	766	-	766	2015-16	Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	11	4	7	2015-16, 2016-17	Assessing Officer
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

Annexure A to Independent Auditors' Report (Continued)

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

Referred to in paragraph vii(b) of Annexure A to the Independent Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2020

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	129	41	88	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	23	1	22	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	200	52	148	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	1,561	515	1,046	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	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

* As represented by the management

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

Annexure A to Independent Auditors' Report (Continued)

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

Referred to in paragraph vii(b) of Annexure A to the Independent Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2020

Name of the Statute	Nature of Dues	Disputed Amount (INR millions)	Amount Paid (INR millions)	Unpaid Amount (INR millions)	Financial year to which the amount relates	Forum where the dispute is pending
Various Entry Tax Acts	Entry Tax	298	-	298	2005-06, 2009-10	High Courts 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	1	-	1	1994-95 and 2014-15	Collector of State Excise, West Bengal
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	1	-	1	2016-17	Additional District Magistrate, West Bengal
Various State Excise Acts	State Excise	26	-	26	2010-11 to 2017-18	Superintendent of State Excise
Various State Excise Acts	State Excise	66	33	33	2001-02, 2002-03, 2015-16	Principal Secretary Excise
Various State Excise Acts	State Excise	149	14	135	1974-75 to 1988-89, 1993-94 to 1998-99, 2002-03 to 2009-10, 2011-12, 2013-14 to 2016-17	Commissioners of State Excise
Various State Excise Acts	State Excise	2	1	1	1987-88	Additional Commissioners of Excise
Various State Excise Acts	State Excise	10	-	10	1994-95, 2001-02 and 2003-04 to 2007-08	State Taxation Tribunals
Various State Excise Acts	State Excise	311	135	176	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	1,498	80	1,418	1971-72, 1992-93, 1996-97, 2002-03, 2004-05	Supreme Court

* As represented by the management

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

Annexure B to Independent Auditors' Report

Referred to in paragraph 18(f) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2020

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

1. We have audited the internal financial controls with reference to the financial statements of United Spirits Limited ("the Company") as of March 31, 2020 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, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

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

Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 20039985AAAACF1843

Place : Bengaluru
Date : May 27, 2020

Balance Sheet

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	**11,069**	11,151
Right-of-use assets	3.2	**1,975**	-
Capital work-in-progress		**1,017**	1,006
Intangible assets	3.3	**303**	131
Intangible assets under development	3.4	**170**	165
Investments in subsidiaries and associate	4	**2,526**	2,984
Financial assets			
Loans	5	**4,000**	6,475
Other financial assets	6	**770**	757
Deferred tax assets (net)	7	**1,590**	1,878
Income tax assets (net)	8	**10,714**	9,309
Other non-current assets	9	**3,592**	3,695
Total non-current assets		**37,726**	**37,551**
Current assets			
Inventories	10	**18,361**	18,767
Financial assets			
Trade receivables	11	**22,835**	25,181
Cash and cash equivalents	12.1	**271**	509
Bank balances other than cash and cash equivalents	12.2	**74**	79
Loans	5	**159**	169
Other financial assets	6	**2,915**	1,529
Other current assets	9	**3,204**	2,838
Total current assets		**47,819**	**49,072**
Total assets		**85,545**	**86,623**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**1,453**	1,453
Other equity			
Reserves and surplus	14	**36,644**	29,862
Total equity		**38,097**	**31,315**

Balance Sheet (Continued)

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	15	-	7,643
Lease liabilities	3.2	**1,203**	-
Provisions	17	**70**	518
Total non-current liabilities		**1,273**	**8,161**
Current liabilities			
Financial liabilities			
Borrowings	15	**13,230**	18,086
Lease liabilities	3.2	**762**	-
Trade payables	18		
(A) total outstanding dues of micro and small enterprises		**440**	269
(B) total outstanding dues of creditors other than micro and small enterprises		**11,272**	13,091
Other financial liabilities	16	**9,246**	2,267
Provisions	17	**4,275**	3,259
Income tax liabilities (net)	8	**2,976**	4,205
Other current liabilities	19	**3,974**	5,970
Total current liabilities		**46,175**	**47,147**
Total liabilities		**47,448**	**55,308**
Total equity and liabilities		**85,545**	**86,623**

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN: 05178019

Place : Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN: 00118324

V. K. Viswanathan
Director
DIN: 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN: 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

Statement of Profit and Loss

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
INCOME			
Revenue from operations	20	**285,892**	285,123
Other income	21	**455**	952
Total income		**286,347**	**286,075**
EXPENSES			
Cost of materials consumed	22	**46,239**	42,250
Purchase of stock-in-trade		**2,907**	2,892
Change in inventories of finished goods, work-in-progress and stock-in-trade	23	**1,074**	807
Excise duty		**194,983**	195,317
Employee benefits expense	24	**5,143**	6,753
Finance costs	25	**1,907**	2,200
Depreciation and amortisation expense	26	**2,275**	1,445
Others:			
Advertisement and sales promotion		**7,153**	8,587
Loss allowance on trade receivables and other financial assets (net)	31	**(503)**	1,077
Other expenses	27	**13,835**	14,566
Total expenses		**275,013**	**275,894**
Profit before exceptional items and tax		**11,334**	**10,181**
Add/(Less): Exceptional items, net	28	**13**	(267)
Profit before tax		**11,347**	**9,914**
Tax expense:	29		
Current tax		**3,063**	4,350
Current tax relating to earlier years		**857**	-
Deferred tax (credit)/charge		**380**	(1,022)
Total tax expense		**4,300**	**3,328**
Profit for the year		**7,047**	**6,586**
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 plans	38(b)E	**(366)**	15
(ii) Income tax credit / (charge) relating to these items		**92**	(5)
Other comprehensive income for the year, net of tax		**(274)**	**10**
Total comprehensive income for the year		**6,773**	**6,596**
Basic and diluted earnings per share (in INR)	30	**9.70**	9.06

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN: 05178019
Place : Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN: 00118324

V. K. Viswanathan
Director
DIN: 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN: 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

Cash Flow Statement

(All amounts in INR Millions unless otherwise stated)

		Notes	For the year ended March 31, 2020		For the year ended March 31, 2019	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before tax			**11,347**		**9,914**
	Adjustments for					
	Depreciation and amortisation expense	26	**2,275**		1,445	
	Employee share-based payment expense	24	**124**		197	
	Loss allowance on trade receivables and other financial assets (net)		**(503)**		1,077	
	Provision on doubtful other assets (net)	27	**(20)**		181	
	Exchange gain (net) on translation of foreign currency monetary assets and liabilities		**(24)**		(15)	
	Finance costs	25	**1,907**		2,200	
	Liabilities/provisions no longer required written back	21	**(60)**		(96)	
	Gain on disposal of property, plant and equipment (net)	21	**(63)**		(366)	
	Interest income	21	**(281)**		(425)	
	Exceptional items	28	**(13)**		267	
				3,342		**4,465**
	Operating profit before changes in working capital			**14,689**		**14,379**
	(Increase) / decrease in trade receivables		**2,515**		982	
	(Increase) / decrease in loans and other financial assets		**(991)**		(986)	
	(Increase) / decrease in other assets		**(228)**		2,323	
	(Increase) / decrease in inventories		**406**		(73)	
	Increase / (decrease) in trade payables		**(1,683)**		(1,046)	
	Increase / (decrease) in other financial liabilities		**(399)**		(485)	
	Increase / (decrease) in other liabilities		**(1,944)**		1,681	
	Increase / (decrease) in provisions		**(37)**	**(2,361)**	38	**2,434**
	Cash generated from operations			**12,328**		**16,813**
	Income taxes paid			**(5,658)**		**(8,238)**
	Net cash generated from operating activities (A)			**6,670**		**8,575**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of property, plant and equipment and intangible assets		**(2,096)**		(1,614)	
	Proceeds from sale of property, plant and equipment and assets held for sale		**118**		958	
	Investments in subsidiaries and associate		**-**		(1,447)	
	Proceeds from sale of investment in subsidiaries		**-**		319	
	Loans given to subsidiaries	36(b)(xiv)	**(1,739)**		(1,766)	
	Repayment of loans by subsidiaries	36(b)(xv)	**2,343**		3,071	
	Interest received		**1,639**		413	
	Net cash inflow / (outflow) from investing activities (B)			**265**		**(66)**

Cash Flow Statement (Continued)

(All amounts in INR Millions unless otherwise stated)

		Notes	For the year ended March 31, 2020		For the year ended March 31, 2019	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Net proceeds / (repayment) of commercial papers	15	**(9,000)**		(8,087)	
	Net proceeds / (repayment) of working capital loans	15	**4,073**		1,095	
	Principal element of lease payments	15	**(645)**		-	
	Interest paid on borrowings	15	**(1,439)**		(2,127)	
	Interest paid on lease liabilities	15	**(162)**		-	
	Net cash inflow / (outflow) from financing activities (C)			**(7,173)**		**(9,119)**
	Net increase / (decrease) in cash and cash equivalents [D = A+B+C]			**(238)**		**(610)**
	Cash and cash equivalents as at the beginning of the year (E)			**509**		1,119
	Net increase / (decrease) in cash and cash equivalents			**(238)**		(610)
	Cash and cash equivalents as at the end of the year [D+E]	12.1		**271**		**509**

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN: 05178019

Place : Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN: 00118324

V. K. Viswanathan
Director
DIN: 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN: 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

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, 2018	14	**1,453**
Changes in equity share capital		-
Equity share capital as at March 31, 2019	14	**1,453**
Changes in equity share capital		-
Equity share capital as at March 31, 2020	14	**1,453**

B. Other Equity

Particulars	Note	Reserves and Surplus								Total
		Capital reserve	Capital redem-ption reserve	Securities premium account	Central subsidy	Share based incentive reserve	Contingency reserve	General reserve	Retained earnings	
Balance as 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 companies during the year towards share based incentives	36(b) (xi)	-	-	-	-	(67)	-	-	-	(67)
Balance as at March 31, 2019	14	**683**	**699**	**45,682**	**2**	**49**	**110**	**11,033**	**(28,396)**	**29,862**
Profit for the year		-	-	-	-	-	-	-	7,047	7,047
Other Comprehensive Income (OCI), net of tax		-	-	-	-	-	-	-	(274)	(274)
Total Comprehensive Income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,773**	**6,773**
Share based incentives	34	-	-	-	-	84	-	-	-	84
Cross charge by Diageo group companies during the year towards share based incentives	36(b) (xi)	-	-	-	-	(75)	-	-	-	(75)
Balance as at March 31, 2020	14	**683**	**699**	**45,682**	**2**	**58**	**110**	**11,033**	**(21,623)**	**36,644**

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN: 05178019

Place : Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN: 00118324

V. K. Viswanathan
Director
DIN: 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN: 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

Notes to the Financial Statements

Company Overview

United Spirits Limited ("the Company" or "USL") is a public company domiciled and headquartered in Bengaluru, Karnataka, India. It is incorporated under the Companies Act, 1956 and its shares are listed on the BSE Limited and National Stock Exchange of India Limited. The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands.

These financial statements are approved for issue by the Company's Board of Directors on May 27, 2020.

Note 1 - Significant Accounting Policies

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

1.1 Basis of preparation of financial statements

(i) **Compliance with Ind AS**

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

(ii) **Historical cost convention**

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

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

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

(iii) **New and amended standards adopted by the Company**

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing April 1, 2019:

- Ind AS 116, *Leases*
- Long-term interests in Associates and Joint-Ventures - Ind AS 28, Investments in associates and Joint-Ventures *
- Prepayment Features with Negative Compensation - Amendments to Ind AS 109, Financial Instruments.*
- Uncertainty over Income Tax Treatments – Appendix C to Ind AS 12, *Income Taxes**
- Plan Amendment, Curtailment or Settlement – Amendments to Ind AS 19, *Employee Benefits**
- Amendment to Ind AS 103, Business Combinations*
- Ind AS 111, Joint Arrangements*
- Ind AS 23, Borrowing Costs*
- Uncertainty over Income Tax Treatments – Appendix C to Ind AS 12, Income Taxes*
- Amendment to Ind AS 12, Income Taxes*
- Plan Amendment, Curtailment or Settlement – Amendments to Ind AS 19, Employee Benefits*

* There has been no impact on adoption of these amendments on the standalone financial statements.

The Company changed its accounting policy in respect of lease accounting during the year, following the mandatory adoption of Ind AS 116. The impact of this is disclosed in note 39.

1.2 Foreign currency translation

(i) **Functional and presentation currency**

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

(ii) **Transactions and balances**

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

1.3 Property, plant and equipment and Intangible assets

Property, plant and equipment

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

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

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Notes to the Financial Statements (Continued)

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

(*) Up to March 31, 2019 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.

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.

Intangible assets

Brands and Licenses

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

Computer software

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

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

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

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 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

Notes to the Financial Statements (Continued)

impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.4 Leases

Till March 31, 2019:

As a lessee

Leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the Company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases up to March 31, 2019. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

With effective from April 01, 2019:

As a lessee

From April 01, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, for example arrangements that require payments based on agreed minimum production volumes),
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment

Notes to the Financial Statements (Continued)

and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

1.5 Investments in subsidiaries and associate

Investments in subsidiaries and associates are carried at cost/deemed cost, less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of profit and loss.

1.6 Financial Instruments

A) **Financial Assets:**

a) Recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is recognised at fair value.

Financial assets are subsequently classified and measured at amortised cost. Financial assets are not reclassified subsequent to their recognition, except if and in the period the Company changes its business model for managing financial assets.

i) ***Trade Receivables:***
Trade receivables are 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.

c) Impairment of financial assets

The Company applies ECL model for measurement and recognition of loss allowance on Trade receivables and other financial assets measured at amortised cost.

In case of trade receivables, the Company follows the provision matrix approach (as permitted by Ind AS 109) wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

In case of other financial assets, the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improve such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive (i.e., cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of 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.

Notes to the Financial Statements (Continued)

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss under the head 'Loss allowance on trade receivables and other financial assets'.

d) Income recognition

Dividend income on investments is recognised and accounted for when the right to receive the payment is established, it probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

Interest income is accounted for on a time-proportion basis using effective interest rate method taking into account the amounts invested and the rate of interest, except for financial assets that subsequently become credit impaired.

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 and net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost of inventories, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis. Adequate allowance is made for obsolete and slow moving items.

1.8 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.9 Revenue recognition

Revenue comprises revenue from contracts with customers for sale of goods and income from brand franchisee royalties receivable. Revenue from sale of goods is inclusive of excise duties and is net of returns, trade allowances, rebates, value added taxes, 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.

Notes to the Financial Statements (Continued)

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.

1.10 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under 'Other financial liabilities' in the balance sheet.

(b) Post-employment obligations

The Company's defined benefit plans comprise gratuity, pension and provident fund (administered by trusts set up by the Company, where the Company's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Company).

Pension and gratuity obligations

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Provident fund

The Company operates a defined benefit provident fund plan for certain category of eligible employees. The minimum statutory rate at which the annual rate of interest is payable to the beneficiaries of such plan is declared by the Central Government. The Company has an obligation to make good the shortfall if any, in the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value 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.

Notes to the Financial Statements (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 settled schemes managed by Diageo group.

Stock appreciation rights

Liabilities for the Company's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as current/ non-current provisions in the balance sheet.

Diageo group share-based payment arrangements

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of Profit and Loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognises the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plans are cross charged by Diageo group companies, the same is accounted for as a reduction from equity. To the extent the amount or recharge exceeds the fair value of equity shares on the date of exercise, the same is recognised in the Statement of Profit and Loss.

1.11 Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. 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.

1.12 Earnings Per Share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

1.13 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

Notes to the Financial Statements (Continued)

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of directors of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Company and makes strategic decisions. The executive committee, which has been identified as being the chief operating decision maker, consists of the Managing Director & Chief Executive Officer and other senior management team members assesses the financial performance and position of the Company and makes strategic decisions. Since segment disclosures have been provided in the consolidated financial statements, no such disclosures have been made in these standalone financial statements.

1.18 Equity

Own shares represent shares of the Company and those held in treasury by USL Benefit Trust. Pursuant to orders of 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.

Note 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, 17 and 49
- Impairment of trade receivables – Note 31
- Impairment of investments and loans to subsidiaries – Notes 4, 5 and 36

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

3.1 Property, Plant and Equipment

	Owned						Leased [Refer Note 40(a)]			Total
	Freehold Land	Buildings [Refer Note (a) and (b) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Land	Office Equipment	Vehicles	
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 during 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**
Year ended March 31, 2020										
Gross carrying amount										
Opening	2,542	3,468	8,633	462	443	17	131	501	10	**16,207**
Adjustment on adoption of Ind AS 116 on Leases [Refer Note (d) below]							(131)	(501)	(10)	**(642)**
Additions	15	336	1,276	46	118	-	-	-	-	**1,791**
Disposals	(21)	(30)	(387)	(3)	(3)	(2)	-	-	-	**(446)**
Closing gross carrying amount	**2,536**	**3,774**	**9,522**	**505**	**558**	**15**	**-**	**-**	**-**	**16,910**
Accumulated depreciation and impairment										
Opening	-	628	3,499	298	302	15	48	256	10	**5,056**
Adjustment on adoption of Ind AS 116 on Leases [Refer Note (d) below]							(48)	(256)	(10)	**(314)**
Depreciation charge during the year	-	191	1,165	50	84	2	-	-	-	**1,492**
Disposals	-	(11)	(372)	(3)	(5)	(2)	-	-	-	**(393)**
Closing accumulated depreciation and impairment	**-**	**808**	**4,292**	**345**	**381**	**15**	**-**	**-**	**-**	**5,841**
Net carrying amount as at March 31, 2020	**2,536**	**2,966**	**5,230**	**160**	**177**	**-**	**-**	**-**	**-**	**11,069**

Notes:

(a) Buildings include gross carrying amounts of INR 339 million (2019: INR 339 million) in respect of which the title deeds are 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 acquiring the right of occupation.

(c) Represents assets reclassified from asset held for sale to PPE, 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) Pursuant to adoption of Ind AS 116, assets under finance lease as at March 31, 2019 have been transferred to right-of-use assets on April 01, 2019 and are presented as a separate line item in the balance sheet as at March 31, 2020, refer Note 3.2. Also refer Notes 39 and 40 for additional disclosures pertaining to leases.

Property, plant and equipment pledged as security

Refer Note 33 for information on property, plant and equipment pledged as security by the Company.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

3.2 Leases

This note provides information for leases where the Company is a lessee. The Company takes on lease various offices, warehouses, plant and equipment and office equipment. Rental contracts are typically entered into for 30 years to 100 years for leasehold land and for periods of 11 months to 5 years for other categories, and may have extension options as described in Note (d) below. Some of the leasing arrangements entered into by the Company include non-cancelable lease terms.

(i) Amounts recognised in Balance Sheet

	As at March 31, 2020	As at April 01, 2019
Right-of-use assets		
Leasehold land	**82**	83
Buildings	**1,069**	1,082
Plant and equipment	**605**	486
Office equipment	**219**	247
Total	**1,975**	1,898
Lease Liabilities		
Current	**762**	656
Non-current	**1,203**	1,151
Total	**1,965**	1,807

(ii) Amounts recognised in the Statement of Profit and Loss

	Notes	For the year ended March 31, 2020
(a) Depreciation charge of right-of-use assets	**26**	
Leasehold land		**1**
Buildings		**368**
Plant and equipment		**248**
Office equipment		**107**
Total		**724**
(b) Interest expenses (included in finance cost)	**25**	**162**
(c) Lease related expenses included in rent expenses	**27**	
Short term leases		**126**
Leases of low value assets		**109**
Variable lease payments (not included in lease liabilities)		**2,453**
Total		**2,688**

(iii) The total cash outflow for leases for the year ended March 31, 2020 was INR 3,495 million.

Notes:

(a) In the previous year, the Company only recognised leased assets and liabilities in relation to the leases that were classified as 'finance' leases under Ind AS 17, Leases. The assets were presented in property, plant and equipment and the liabilities as part of Company's borrowings and other financial liabilities. For adjustments pursuant to adoption of Ind AS 116, Leases on April 01, 2019, (Refer Note 39.)

(b) Additons to the right-of-use assets during the current financial year aggregate to INR 803 million.

(c) Variable lease payments

The Company has lease contracts for plant and equipment that contain variable payments. Variable lease payments that depend on production volumes are recognised in the statement of profit and loss in the period in which the condition that triggers those payments occurs. Any changes in production under contracts which include variable lease payments, would have a proportionate impact on the variable lease payments.

Certain agreements contain clauses for minimum production volumes and hence a portion of lease payments in these agreements are 'in-substance fixed'. To the extent of in-substance fixed components, the lease payments are included under the right-of-use assets and related lease liability.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Management considers contractual terms and conditions, leasehold improvements undertaken, costs relating to termination of lease and importance of the underlying asset to the Company's operations in determining the lease term for the purpose of recognising/ measuring the lease liability.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

3.3 Intangible assets

	Brands	Licenses	Computer Software	Total
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**
Year ended March 31, 2020				
Gross carrying amount				
Opening	9	38	152	199
Additions - Acquired	-	-	231	231
Disposals	-	-	-	-
Closing gross carrying amount	**9**	**38**	**383**	**430**
Accumulated amortisation and impairment				
Opening	9	15	44	68
Amortisation charge for the year	-	3	56	59
Disposals	-	-	-	-
Closing accumulated amortisation and impairment	**9**	**18**	**100**	**127**
Net carrying amount as at March 31, 2020	**-**	**20**	**283**	**303**

3.4 Intangible assets under development

Management has performed an impairment assessment on the intangible assets under development and determined that no impairment loss is necessary for the year.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

4 Investments in subsidiaries and associate

	Face value	Number of shares	As at March 31, 2020	Number of shares	As at March 31, 2019
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)			**(3,942)**		(3,484)
			325		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)**		(800)
			187		187
Asian Opportunities & Investments Limited	USD 1/-	4,998,706	**-**	4,998,706	-
Palmer Investment Group Limited	USD 1/-	15,000,000	**-**	15,000,000	-
Montrose International S.A	USD 1000/-	500	**-**	500	-
Liquidity Inc.	USD 0.0001/-	4,000,000	**-**	4,000,000	-
Four Seasons Wines Limited [Refer Note 42(b)]	INR 10/-	-	**-**	-	-
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			**1,059**		1,517
b) **Investment in associate**					
Investment in equity instruments carried at cost (fully paid-up)					
Hip Bar Private Limited	INR 10/-	4,567,568	**270**	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
			2,526		2,984
Aggregate amount of quoted investments			**-**		-
Aggregate market value of quoted investments			**968**		1,427
Aggregate amount of unquoted investments			**7,268**		7,268
Aggregate amount of impairment in the value of investments (Refer Note 35)			**(4,742)**		(4,284)

Notes:

(a) Investment as a sole beneficiary in USL Benefit Trust (the 'Trust') was recorded as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited. The Trust has been established for the exclusive benefit of the Company and holds 17,295,450 equity shares of INR 2/- face value (2019: 17,295,450 equity shares of INR 2/- face value) of the Company [Refer Note 13(h)]. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. Also refer Note 33(b) for assets pledged and Note 46.

(b) On adoption of Ind AS, Company has measured these investments at deemed cost using the net carrying value as per previous GAAP as at March 31, 2015. The Company has subsequently measured its investments in subsidiaries and the associate at cost in accordance with Ind AS 27.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

5. Loans

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Loan to UBHL (Refer Note 43)	**-**	**12,755**	-	13,082
Loans to subsidiaries [Refer Note 36(c)(vi)]	**-**	**62,943**	-	60,616
Loans to employees	**18**	**-**	18	-
Security deposits	**234**	**180**	249	222
	252	**75,878**	267	73,920
Less: Loss allowance				
Loan to UBHL (Refer Note 43)	**-**	**(12,755)**	-	(13,082)
Loans to subsidiaries [Refer Note 36(c)(vii)]	**-**	**(59,123)**	-	(54,363)
Security deposits	**(93)**	**-**	(98)	-
	(93)	**(71,878)**	(98)	(67,445)
Total Loans	**159**	**4,000**	**169**	**6,475**

Details of securities/categorisation of credit risk on loans	As at March 31, 2020	As at March 31, 2019
Loans considered good – secured	**-**	-
Loans considered good – unsecured	**4,633**	7,123
Loans which have significant increase in credit risk	**-**	-
Loans – credit impaired	**71,497**	67,064
Total	**76,130**	**74,187**
Less: Loss allowance	**(71,971)**	(67,543)
Total Loans	**4,159**	**6,644**

Refer Note 31 for information about financial risk management.

6. Other Financial Assets

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Balances with banks [Refer Note below]	**-**	**770**	-	757
Receivable from related parties [Refer Note 36(c)(i)]	**31**	**-**	2	-
Receivable from Tie-up manufacturing units	**2,870**	**672**	1,503	756
Other receivables	**172**	**-**	181	-
	3,073	**1,442**	1,686	1,513
Less: Loss allowance				
Receivable from Tie-up manufacturing units	**-**	**(672)**	-	(756)
Other receivables	**(158)**	**-**	(157)	-
	(158)	**(672)**	(157)	(756)
Total Other Financial Assets	**2,915**	**770**	**1,529**	**757**

Balance with banks comprise of:

(a) deposit of INR 459 million (2019: INR 459 million) with a bank in suspense account (Refer Note 46).

(b) fixed deposits of INR 310 million (2019: INR 296 million) with a bank kept under escrow pending resolution of various taxation matters.

(c) margin money against bank guarantees INR 1 million (2019: 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, 2020	As at March 31, 2019
Deferred tax assets		
Allowance for doubtful receivable balances	**944**	1,370
Provisions allowed on payment basis	**1,027**	1,197
Indexation benefit on land	**80**	94
Lease liabilities	**495**	-
Others	**5**	32
	2,551	2,693
Deferred tax liabilities		
Depreciation and amortisation	**484**	815
Right-of-use assets	**477**	-
	961	815
Total Deferred tax assets (net)	**1,590**	1,878

Movement in deferred tax assets

	Doubtful receivable balances	Provisions allowed on payment basis	Deprecia-tion and am-ortisation	Indexation benefit on land	Lease liabilities	Right-of-use assets	Others	Total
At April 1, 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**
(Charged) / Credited:								
- to profit and loss - due to Income tax rate change [Refer Note (a) below]	(385)	(336)	229	-	-	-	(9)	(501)
- to profit and loss	(41)	74	102	(14)	495	(477)	(18)	121
- to other comprehensive income		92						92
At March 31, 2020	**944**	**1,027**	**(484)**	**80**	**495**	**(477)**	**5**	**1,590**

Note:

(a) Impact on tax charge pursuant to Taxation Laws (Amendment) Act 2019

Pursuant to a notification of the Taxation Laws (Amendment) Act 2019, the Company has opted to pay tax as per Section 115BAA at the income tax rate of 22% (plus applicable surcharge and cess). Consequently, during the year, the Company has recognised the impact of remeasurement of the net deferred tax assets. Accordingly, the excess net deferred tax assets carried forward from previous years of INR 501 million has been reversed in these Standalone Financial Statements.

8. Income tax balances

	As at March 31, 2020	As at March 31, 2019
Income tax liabilities net of advance tax	**2,976**	4,205
Income tax assets net of provision for tax	**10,714**	9,309

Notes:

(a) The above amounts include amounts paid under protest of INR 11,857 million (2019: INR 9,560 million) pertaining to various assessment years.

(b) **Disputed income tax matters relating to earlier years**

Pursuant to The Direct Tax Vivad se Vishwas Act, 2020 (the 'Scheme') which was notified on March 17, 2020, the Company has an option to settle its income tax disputes under the Income Tax Act, 1961 by payment of arrears of the disputed tax amount according to the provisions of the Scheme. During the year ended March 31, 2020, the Company has evaluated all the disputed income tax litigations and has decided to avail the Scheme in respect of certain disputed matters for which a provision of INR 408 million for tax amount and a reversal of provision of INR 904 million for accrued interest has been recorded during the year ended March 31, 2020. Further, the Company has made a provision for tax and interest in respect of certain disputed legacy matters of earlier years of INR 2,114 million during the year ended March 31, 2020. Following a favourable order received from the Appellate Authorities in respect of an earlier disputed tax matter and based on risk assessment by management, the Company has reversed the provision in respect of disputed tax and interest aggregating to INR 1,539 million during the year ended March 31, 2020.

On account of the above matters, the Company has accounted INR 897 million pertaining to tax under the heading Income tax relating to earlier years and INR 131 million under the heading Current tax for the year and an amount of INR 949 million towards reversal of accrued interest under the heading exceptional items [Refer Note 28(g)] in these Standalone Financial Statement for the year ended March 31, 2020.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

9. Other assets

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Capital advances	-	92	-	76
Balances with government authorities (Refer Note below)				
Considered good	635	1,874	201	1,708
Considered doubtful	57	104	57	152
Trade advance to related party [Refer Note 36(c)(ii)]	820	-	743	-
Advances to suppliers				
Considered good	567	-	715	-
Considered doubtful	789	-	795	-
Net surplus in gratuity plan [Refer Note 38(b)C]	-	385	-	449
Pre-paid expenses	1,182	1,241	1,179	1,462
	4,050	3,696	3,690	3,847
Less: Allowance for doubtful balances	(846)	(104)	(852)	(152)
Total other assets	**3,204**	**3,592**	**2,838**	**3,695**

Note:

Balance with government authorities include amounts paid under protest amounting to INR 1,471 million (2019: INR 1,387 million) in respect of disputed indirect tax matters.

10. Inventories

(Valued at lower of cost and net realisable value)

	As at March 31, 2020	As at March 31, 2019
Raw materials	1,511	1,236
[including materials in transit INR 445 million (2019: INR 350 million)]		
Work-in-progress [Refer Note (a) below]	5,889	7,964
Finished goods	7,623	6,624
[including goods in transit INR 996 million (2019: INR 844 million)]		
Stock-in-trade	1,332	859
[including goods in transit INR 218 million (2019: INR 25 million)]		
Packing materials	1,913	2,011
[including materials in transit INR 20 million (2019: INR 112 million)]		
Stores and spares	93	73
Total inventories	**18,361**	**18,767**

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 428 million (2019: INR 2,784 million).

(b) Amounts recognised in the Statement of Profit and Loss:
Allowance for obsolete inventories (net) for the year amounting to INR 404 million (2019: INR 248 million) has been recognised as an expense during the year and is included in Cost of materials consumed in the Statement of Profit and Loss.

(c) Inventories include inventory held by tie-up manufacturing units amounting to INR 2,416 million (2019: INR 1,983 million).

(d) The Company has a cycle count programme to verify inventories between one to four times a year based on the value of inventory in each location during the year. Such cycle counts until February 2020, covering substantial inventory by value, were performed by a third party firm ("consultant") appointed by management. However, the remaining cycle counts planned in the month of March 2020 for certain locations could not be completed by the management/ consultant due to COVID-19 travel restrictions and lockdown. Post the relaxation of the lockdown restrictions, the Management completed the remaining cycle counts in the months of April and May 2020. Management also performed the necessary roll back procedures to obtain comfort over existence and condition of inventories at such locations as at March 31, 2020.

(e) 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, 2020	As at March 31, 2019
From Contracts with customers – related parties [Refer Note 36(c)(iii)]	**844**	120
From Contracts with customers – others	**24,006**	27,310
	24,850	27,430
Less: Loss allowance	**(2,015)**	(2,249)
Total trade receivables	**22,835**	**25,181**
Details of securities/ categorisation of credit risk of trade receivables		
Trade Receivables considered good – secured	**-**	-
Trade Receivables considered good – unsecured	**24,850**	27,430
Trade Receivables which have significant increase in credit risk	**-**	-
Trade Receivables – credit impaired	**-**	-
Total	**24,850**	**27,430**
Less: Loss allowance	**(2,015)**	(2,249)
Total trade receivables	**22,835**	**25,181**

Refer Note 31 for information about financial risk management

12.1 Cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
Balances with banks		
In current accounts	**271**	370
Cheques on hand	**-**	139
Total cash and cash equivalents	**271**	**509**

12.2 Bank balances other than cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
In unpaid dividend accounts	**3**	7
In unpaid public deposit accounts [Refer Note (a) below]	**8**	11
Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	**63**	61
Total bank balances other than cash and cash equivalents	**74**	**79**

Notes:

a) Includes INR 3 million (2019: INR 7 million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years and for which duly discharged deposit receipts were not received from deposit holders.

b) Represents Bank deposits under lien in respect of bank gurantees provided to tax authorities.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

13. Equity share capital

	As at March 31, 2020	As at March 31, 2019
Authorised		
2,740,000,000 equity shares of INR 2/- each (2019: 2,740,000,000 equity shares of INR 2/- each)	**5,480**	5,480
171,200,000 preference shares of INR 10/- each (2019: 171,200,000 preference shares of INR 10/- each)	**1,712**	1,712
	7,192	7,192
Issued, subscribed and paid-up		
726,638,715 equity shares of INR 2/- each (2019: 726,638,715 equity shares of INR 2/- 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, 2020	No. of Shares	As at March 31, 2019
Balance at the beginning of the year [Face value of INR 2/- each (2019: INR 10/- each)]	726,638,715	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**	**726,638,715**	**1,453**

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of INR 2/- per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

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

Out of the equity shares issued by the Company, shares held by the holding company are as below:

	No. of Shares	As at March 31, 2020	No. of Shares	As at March 31, 2019
Relay B V (wholly owned subsidiary of Diageo Plc) [Refer note (j) below]	406,447,245	**813**	398,061,730	796
	406,447,245	**813**	398,061,730	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, 2020		As at March 31, 2019	
	No. of Shares	**% of Holding**	No. of Shares	% of Holding
Relay B V [Refer note (j) below]	**406,447,245**	**55.94%**	398,061,730	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)

(h) Details of shares in the Company held by Company, subsidiaries or associates

	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	**% of Holding**	No. of Shares	% of Holding
USL Benefit Trust [Refer Note 4(c)]	**17,295,450**	**2.38%**	17,295,450	2.38%

(i) During the previous 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 on 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.

14. Reserves and Surplus

	As at March 31, 2020	As at March 31, 2019
Capital reserve	**683**	683
Capital redemption reserve	**699**	699
Securities premium account	**45,682**	45,682
Central subsidy	**2**	2
Share based incentive reserve	**58**	49
Contingency reserve	**110**	110
General reserve	**11,033**	11,033
Retained earnings	**(21,623)**	(28,396)
Total reserves and surplus	**36,644**	**29,862**

Nature and purpose of reserves:

a) **Capital reserve:** Created pursuant to a Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively.

b) **Capital redemption reserve:** Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years by the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers).

c) **Securities premium account:** Securities premium account is credited when shares are issued at premium. The balance is utilised in accordance with the provisions of the Act.

d) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the 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.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

15. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2020	As at March 31, 2019
Non-current					
Unsecured					
7,500 (2019: 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
Secured					
Finance lease obligations [Refer Note 40(a)]	2019 - 2022	Monthly instalments	8%	**-**	239
				7,641	7,880
Less: Current maturities of Non-convertible Debentures (Refer Note 16)				**7,500**	-
Less: Current maturities of finance lease obligation (Refer Note 16)				**-**	96
Less: Interest accrued but not due (Refer Note 16)				**141**	141
Total non-current borrowings				**-**	7,643
Current					
Unsecured					
Working capital loans from banks [Refer note (a) below]	Payable on demand	Payable on demand	6.1% to 7.5%	**13,246**	9,157
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
Total				**13,246**	18,086
Less: Interest accrued but not due (Refer Note 16)				**16**	-
Total current borrowings				**13,230**	18,086

Notes:

a) Includes interest accrued but not due as at year end.

b) **Movement in debt balances**

(i) Summary of total debt:

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Non-current borrowings	15	**-**	7,643
Current borrowings	15	**13,230**	18,086
Other current financial liabilities			
Current maturities of long-term borrowings	16	**7,500**	96
Interest accrued but not due	16	**157**	141
Lease liabilities	3.2	**1,965**	-
Total		**22,852**	25,966

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(ii) Movements in debt:

Particulars	Finance lease obligations	Lease liabilities	Non-convertible debentures	Commercial papers	Term loans	Working capital loans	Total
Net debt as at April 1, 2018	70	-	7,641	13,373	3,522	8,082	**32,688**
Net proceeds from / (Repayment of) borrowings	(87)	-	-	(4,500)	(3,500)	-	**(8,087)**
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 25)	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**
Transferred to Lease liabilities on adoption of Ind AS 116 (see note 39)	(239)	239	-	-	-	-	**-**
Recognised on adoption of Ind AS 116 (see note 39)	-	1,568	-	-	-	-	**1,568**
Net debt as at April 1, 2019 (restated)	**-**	**1,807**	**7,641**	**8,929**	**-**	**9,157**	**27,534**
Acquisition- leases	-	803	-	-	-	-	**803**
Net proceeds from / (Repayment of) borrowings	-	-	-	(9,000)	-	-	**(9,000)**
Net proceeds from working capital loans	-	-	-	-	-	4,073	**4,073**
Interest expense (Refer Note 25)	-	162	560	471	-	495	**1,688**
Interest paid	-	(162)	(560)	(400)	-	(479)	**(1,601)**
Principal lease payments	-	(645)	-	-	-	-	**(645)**
Net debt as at March 31, 2020	**-**	**1,965**	**7,641**	**-**	**-**	**13,246**	**22,852**

16. Other Financial Liabilities

	As at March 31, 2020	As at March 31, 2019
Current		
Current maturities of		
Borrowings (Refer Note 15)	**7,500**	-
Finance lease obligation (Refer Note 15)	**-**	96
Interest accrued but not due (Refer Note 15)	**157**	141
Unpaid / unclaimed dividends [Refer Note (a) below]	**3**	7
Unpaid / unclaimed public deposits (Including accrued interest) [Refer Notes (a) and (b) below]	**8**	11
Others		
Security deposits	**102**	101
Liability for customer claim	**127**	127
Due to Tie-up manufacturing units	**817**	631
Capital creditors	**239**	281
Employee benefits payable	**293**	872
Total other current financial liabilities	**9,246**	2,267

Notes:

(a) Investor Education and Protection Fund (IEPF) credited when due. As at March 31, 2020 an amount aggregating to INR 1 million (2019: Nil) was due to be transferred to IEPF and has been transferred subsequent to the year end.

(b) Includes unclaimed public deposit which had matured in earlier years of INR 3 million (2019: INR 7 million) for which the duly discharged fixed deposit receipts were not received from the deposit holders.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

17. Provisions

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Employee benefits				
Compensated absences	**557**	**-**	142	420
Pension liability [Refer Note 38(b)(C)]	**2**	**13**	2	14
Share appreciation rights (Refer Note 34)	**64**	**57**	78	84
Provident fund obligation [Refer Note 38(b)(C)]	**367**	**-**	-	-
Provision for indirect tax and other legal matters [Refer Note (a) below]	**3,285**	**-**	3,037	-
Total provisions	**4,275**	**70**	**3,259**	**518**

Notes:

(a) Movement in provisions

Description	As at April 1, 2018	Additions	Amounts used/ written back	As at March 31, 2019
Indirect taxes and other legal matters	2,819	450	232	3,037

Description	As at April 1, 2019	Additions	Amounts used/ written back	As at March 31, 2020
Indirect taxes and other legal matters	3,037	583	335	3,285

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.

18. Trade Payables

	As at March 31, 2020	As at March 31, 2019
Dues to Micro and Small enterprises (Refer Note 51)	**440**	269
Dues to creditors other than Micro and Small enterprises		
Dues to related parties [Refer Note 36(c)(iv)]	**1,416**	1,694
Others	**9,856**	11,397
Total trade payables	**11,712**	**13,360**

19. Other Current Liabilities

	As at March 31, 2020	As at March 31, 2019
Contract liabilities (Advances from customers)	**1,144**	1,061
Statutory dues	**1,149**	2,293
Liability for excise duty on closing finished goods inventory (net of prepaid excise duty)	**1,681**	2,616
Total other current liabilities	**3,974**	**5,970**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

20. Revenue from Operations

	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from contracts with customers:		
Sale of products (includes excise duty)	**283,877**	282,791
Income from brand franchise arrangements	**1,671**	1,848
	285,548	**284,639**
Other operating revenue:		
Scrap sales	**251**	287
Gain on settlement of liability with an overseas vendor	**-**	73
Miscellaneous	**93**	124
	344	484
Total revenue from operations	**285,892**	**285,123**
Reconciliation between contract price and revenue recognised		
Contract price	**294,796**	294,012
Less: Items offset against revenue from contracts with customers as required under Ind AS 115	**(9,248)**	(9,373)
Revenue from sale of products	**285,548**	**284,639**
Disaggregation of revenue from contracts with customers		
Categories of products		
Prestige and above	**59,311**	59,095
Popular	**27,596**	28,815
Others	**4,709**	1,412
Add: Excise duty collected from customers	**193,932**	195,317
Total	**285,548**	**284,639**

21. Other Income

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest income on fixed deposits held at amortised cost	**20**	18
Interest income from loans to subsidiaries held at amortised cost [Refer Note 36(b)(iv)(a)]	**261**	407
Exchange gain (net)	**44**	54
Gain on disposal of property, plant and equipment (net)	**63**	366
Liabilities/provisions no longer required written back	**60**	96
Miscellaneous income	**7**	11
Total other Income	**455**	**952**

22. Cost of Materials Consumed

	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw materials	**31,285**	26,287
Packing materials	**14,954**	15,963
Total cost of materials consumed	**46,239**	**42,250**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

23. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2020	For the year ended March 31, 2019
Opening inventory:		
Finished goods	**6,624**	6,461
Work-in-progress	**7,964**	8,777
Stock-in-trade	**859**	505
Total opening balance (A)	**15,447**	**15,743**
Closing inventory:		
Finished goods	**7,623**	6,624
Work-in-progress	**5,889**	7,964
Stock-in-trade	**1,332**	859
Total closing balance (B)	**14,844**	**15,447**
Increase / (decrease) in excise duty on finished goods, net **(C)**	**471**	511
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**1,074**	**807**

24. Employee Benefits Expense

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	**4,355**	5,825
Contribution to provident and other funds [Refer Note 38(a)]	**142**	162
Defined benefits plans cost [Refer Note 38(b)D]	**206**	210
Share based payment expense (Refer Note 34)	**124**	197
Staff welfare expenses	**316**	359
Total Employee benefits expense	**5,143**	**6,753**

25. Finance Costs

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest charges on lease liabilities	**162**	-
Interest expense on borrowings at amortised cost	**1,526**	2,085
Interest- others	**219**	115
Total finance costs	**1,907**	**2,200**

26. Depreciation and Amortisation Expense

	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation of property, plant and equipment (Refer Note 3.1)	**1,492**	1,420
Depreciation of right-of-use assets (Refer Note 3.2)	**724**	-
Amortisation of intangible assets (Refer Note 3.3)	**59**	25
Total Depreciation and amortisation expense	**2,275**	**1,445**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

27. Other Expenses

	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spares	**141**	184
Sub-contracting charges	**1,153**	744
Power and fuel	**212**	227
Rent [Refer Notes 3.2 and 40(b)]	**2,688**	2,935
Repairs and maintenance:		
Buildings	**38**	96
Plant and machinery	**222**	289
Others	**307**	310
Insurance	**161**	149
Rates and taxes	**1,229**	1,577
Travel and conveyance	**480**	532
Legal and professional	**1,366**	1,271
Auditors' remuneration (Refer Note below)	**48**	49
Freight outwards	**2,535**	2,498
Royalty [Refer Note 36(b)(ix)]	**97**	91
Trade mark license fees	**574**	575
Remuneration to non-executive directors:		
Sitting fee	**4**	4
Commission	**20**	20
Allowance for doubtful other assets (net)	**(20)**	181
Expense towards corporate social responsibility (Refer Note 52)	**168**	121
Information technology and communication expenses	**1,080**	979
Administrative expenses	**180**	198
Distribution costs	**1,019**	1,394
Miscellaneous expenses	**133**	142
Total Other expenses	**13,835**	**14,566**
Note:		
Auditors' remuneration*		
a) as auditors		
for Statutory audit	**15**	16
for Quarterly reviews	**9**	9
for Certifications	**7**	6
b) for other audit related services	**17**	18
Total payment to auditors	**48**	**49**

* Excluding goods and services tax

28. Exceptional items, net

	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Impairment in the value of Investment in subsidiary	35	**(458)**	(61)
(b) Loss allowance on loans and interest due from subsidiaries	36(b)(xviii)	**(553)**	(4)
(c) Reversal of loss allowance on loans due from subsidiaries	36(b)(xvi)	**75**	449
(d) Interest income on loans to subsidiaries relating to earlier years	36(b)(iv)(b), 42(b)	**-**	205
(e) Gain / (loss) on disposal of Investment in subsidiary	42 (b)	**-**	(876)
(f) Gain on sale of Brands	42 (b)	**-**	20
(g) Reversal of accrued interest expense relating to income tax cases of earlier years	8(b)	**949**	-
Total exceptional items, net		**13**	**(267)**

Notes to the Financial Statements (Continued)

(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, 2020	For the year ended March 31, 2019
Profit before income tax expense	**11,347**	9,914
Tax at Indian tax rate @ 25.17% (2019: 34.944%)	**2,856**	3,464
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Remeasurement of deferred tax asset due to tax rate change	**501**	-
Provision for disputed taxes of earlier years	**857**	-
Loss on sale of subsidiary	**-**	142
Impairment on investment in subsidiaries and loss allowance on loans to subsidiaries (net of reversals)	**208**	23
Reversal of provisions/write offs (net) which were not claimed as allowable expenses in earlier years	**(321)**	(356)
Others	**185**	149
Deferred Tax credit on indexation benefit on freehold land	**14**	(94)
Total	**1,444**	**(136)**
Income tax expense as per Statement of Profit and Loss	**4,300**	**3,328**

Note:
Deferred income tax assets have not been recognized on long term and short term capital losses aggregating to INR 1,455 million (2019: INR 1,532 million) 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, 2020	March 31, 2019
Nominal value of equity shares (in INR)	**2/-**	2/-
(a) Profits attributed to equity holders of the Company	**7,047**	6,586
(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 (in INR)	**9.70**	9.06

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 13(i)]

Notes to the Financial Statements (Continued)

Note 31: Financial Risk Management

The Company's activities exposes it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks, trade receivables, loans and other financial assets measured at amortised cost	Review of receivables	Diversification of bank deposits, monitoring of credit limits and assessment of recoverability of loan from subsidiaries
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk — interest rate	Short-term borrowings at floating rates	Sensitivity analysis of interest rates	Monitoring of changes in interest rates

The Company's financial risk management is carried out by treasury department under policies approved by the Board. Corporate treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's other functions. The Board sets written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds.

The Company does not have significant exposure to foreign currency fluctuations.

(A) Credit Risk

Credit Risk Management

Trade receivables:

Company's Credit policy provides guidance to keep the risk of credit sales within an acceptable level. The Company's management monitors (at customer group level) and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are typically unsecured and are derived from revenue earned from two main classes of customers, receivable from sales to government corporations/government owned entities and receivables from sales to private third parties.

Receivables from government corporations/government owned entities amounted to INR 15,442 million; 62% (2019: INR 18,448 million; 67%) and private customers amounted to INR 9,408 million; 38% (2019: INR 8,982 million; 33%) respectively, of total trade receivables, on the reporting date.

The Company uses age based 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, 2020	March 31, 2019
Balance at the beginning of the year	**2,249**	1,514
Loss allowance (net)	**(145)**	836
Write offs	**(89)**	(101)
Balance at the end of the year (Refer Note 11)	**2,015**	**2,249**

Loans and other financial assets:

'Other financial assets' includes balances with banks, receivable from Tie-up manufacturing units, loans including loans to subsidiaries and interest accrued on such loans.

The Company recognises allowances using expected credit loss method on Other financial assets. Such allowances are measured considering either 12-month expected credit loss approach or life time credit loss approach, based on management's assessment of credit risk. Assets are written-off where there is no reasonable expectation of recovery. Where the loans or receivables are written-off the Company continues to engage in enforcement activity to attempt to recover the amounts due. Where recoveries are made, these are recognised in profit or loss.

Movement in loss allowances for financial assets other than for trade receivables during the reporting period is provided below:

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Particulars	March 31, 2020	March 31, 2019
Balance at the beginning of the year	**68,456**	66,652
Loss allowance recognised:		
• Included in the Statement of Profit and Loss	**(358)**	241
• Disclosed as exceptional item, net [Refer Note 28(b) and 28(c)]	**478**	(445)
Restatement of loss allowance recognised in earlier years in respect of credit impaired loans to overseas subsidiaries in foreign currency (*)	**4,282**	2,682
Write offs	**(57)**	(674)
Balance at the year end (Refer Note 5 and 6)	**72,801**	**68,456**

(*) Loans denominated in foreign currency to subsidiaries are credit impaired. Exchange differences arising on restatement of such loans at year end exchange rates, are offset against an equivalent restatement of loss allowances at year end exchange rates, and hence there is no impact on the statement of profit and loss, on this account.

Significant estimate in measurement of impairment on loans to subsidiaries

Loans to subsidiaries are measured at amortized cost using the effective interest method. In assessing the expected credit loss, management considers the expected manner of recovery, the contractual terms of the loan, operational status of the subsidiary, historical experience and forecast cash flows. An impairment provision is made to reflect any expected credit loss. Changes in expected manner of recovery consequent to change in forecast cash flows, could lead to the losses being higher/lower than estimated as at the year end.

The Company has credit risk from loans provided to subsidiaries:

- Loans to overseas subsidiaries – these loans are classified as credit impaired and have been fully provided for as these subsidiaries are non-operative and do not have the resources to repay the loans.
- Loans to domestic subsidiaries – management has determined the amount of impairment considering the expected manner of recovery, contractual terms and estimated future cash flows. Based on this assessment, management has concluded that no material allowance for expected credit loss is required in respect of loans to domestic subsidiaries, other than for loan to Pioneer Distilleries Limited. During the year, management has re-estimated the expected future cash flows and has recognised an allowance of INR 490 million (which includes an allowance of INR 109 million on interest accrued and an allowance of INR 381 million on the principal amount) (2019: Nil) using the lifetime expected credit loss approach in respect of loan to Pioneer Distilleries Limited [Refer Note 28(b)].

The future cash flows of Pioneer Distilleries Limited are sensitive to the estimated capacity utilisation of its manufacturing facility. The below table provides the impact of changes in the estimated capacity utilisation each year, on the loss allowance and carrying value of the loan:

Particulars	Increase/ (decrease) in	
	Loss allowance	Carrying value of the loan
Increase in capacity utilisation by 5% each year	(226)	226
Decrease in capacity utilisation by 5% each year	226	(226)

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. The Company generates enough cash flow from the current operation that provides liquidity both in the short term as well as in the long-term. The Company has prudent liquidity risk management to ensure maintenance of required cash and/or have access to funds through adequate unutilised sanctioned borrowing limits from banks. The company maintains an optimal debt mix with the different categories of borrowings to meet both short-term and long-term funding requirements. Besides, the Company has planned monetisation of certain non-core assets to infuse liquidity and reduce debts and remains committed to maintaining a healthy liquidity, a low debt to equity ratio, de-lever and strengthen its balance sheet.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Financing Arrangements

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

Particulars	As at March 31, 2020	As at March 31, 2019
Floating rate Cash credit/working capital loans	**23,375**	26,421

The above facilities may be drawn at any time and such borrowings are repayable on demand.

Maturities of financial liabilities

The maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Company.

March 31, 2020

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings (Refer Note below)	13,246	-	8,059	-	-	-	21,305
Lease liabilities	226	225	411	633	671	89	2,255
Trade payables	11,712	-	-	-	-	-	11,712
Other financial liabilities	1,589	-	-	-	-	-	1,589
Total liabilities	**26,773**	**225**	**8,470**	**633**	**671**	**89**	**36,861**

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	More than 5 years	Total
Borrowings (Refer Note below)	18,118	-	559	8,059	-	-	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**

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 and others. 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, 2020	As at March 31, 2019
Floating rate borrowings	**13,230**	9,157
Fixed rate borrowings	**7,500**	7,500
Total borrowings	**20,730**	**16,657**

Note: Reasonable changes in interest rate is not expected to have a significant impact on the Company's profit/ loss.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(D) **Foreign Exchange Risk**

The Company is exposed to foreign exchange risk arising from foreign currency transactions and balances, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and monetary assets and liabilities denominated in a currency that is not the Company's functional currency (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.

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, 2020				
	USD	GBP	EURO	SGD	Total
Trade receivables	117	775	-	-	892
Exposure to foreign currency risk (assets)	**117**	**775**	**-**	**-**	**892**
Financial liabilities					
Trade payables	8	217	22	8	255
Exposure to foreign currency risk (liabilities)	**8**	**217**	**22**	**8**	**255**
Net exposure	**109**	**558**	**(22)**	**(8)**	**637**

Financial assets	As at March 31, 2019				
	USD	GBP	EURO	SGD	Total
Trade receivables	281	-	-	-	281
Non-current loans	274	640	-	-	914
Exposure to foreign currency risk (assets)	**555**	**640**	**-**	**-**	**1,195**
Financial liabilities					
Trade payables	128	421	-	-	549
Exposure to foreign currency risk (liabilities)	**128**	**421**	**-**	**-**	**549**
Net exposure	**427**	**219**	**-**	**-**	**646**

Notes:

a) A reasonable fluctuation 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 fully provided for and hence they do not carry any foreign currency risk.

Note 32: Capital Management

Risk Management

The Company's objectives when managing capital is to:

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:
- Diversification of funding sources to manage liquidity and rollover risk
- Financial flexibility in case of adverse business cycles

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Net debt to equity ratio:

Particulars		As at March 31, 2020	As at March 31, 2019
Total Debt	(a)	**22,852**	25,966
Cash and cash equivalents	(b)	**271**	509
Net debt	(c) = (a) - (b)	**22,581**	25,457
Total equity	(d)	**38,097**	31,315
Net debt to equity ratio	**(c) / (d)**	**0.59**	**0.81**

Note 33: Assets pledged as security

(a) In respect of secured loans from banks ('lenders') obtained and repaid during earlier years, the Company has in most cases obtained no objection letters from lenders for the release of the hypothecation/mortgage and have filed the necessary forms with Ministry of Corporate Affairs ("MCA") to reflect the release of such charge in MCA's records. In the few remaining cases, the Company is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2020, no assets have been shown as hypothecated/mortgaged as at March 31, 2020.

(b) Further the following assets have been pledged with a bank with whom the Company is involved in a litigation (Refer Note 46)

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
First charge			
Freehold land	3.1	**1,177**	1,177
Buildings	3.1	**614**	668
Leasehold land	3.2 and 3.1	**37**	38
Plant and equipment	3.1	**346**	439
Investments as a sole beneficiary in USL Benefit Trust	4	**1,197**	1,197
Total assets pledged as security		**3,371**	**3,519**

(c) Assets pledged, as disclosed under this note does not include inventory aggregating to INR 165 million (2019: INR 55 million) in custody of third-party tie-up manufacturing units (TMUs), which have been hypothecated by the said TMUs for securing credit facilities.

Note 34: Share based payments

Diageo Plc share based plans

Diageo Plc. (Ultimate parent company) runs various equity settled share based plans such as Diageo Performance Incentive (DPI), Diageo Executive Long Term Incentive Plan (DELTIP), Performance Share Plan (PSP) and Senior Executive Share Option Plan (SESOP) for qualifying employees of the Company. Vesting under these plans is subject to conditions such as continuity of employment and achievement of certain other performance factors.

The charge for the year in respect of such plans is included in employee benefits expense amounting to INR 84 million (March 31, 2019: INR 116 million) (Refer Note 24), 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 employees' reward to Company's share price performance. Under this plan, Company grants stock appreciation rights (based on USL share price on the date of grant) to qualifying employees. Cash pay-out equivalent to the appreciation in the value of the Company's share will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs is determined using the Black-Scholes model using the following inputs at the grant dates and as at each reporting date:

	As at March 31, 2020	As at March 31, 2019
Share price as at balance sheet date (remeasurement date) (INR per share)	**484.6**	553.9
Expected volatility (%)	**33.70% - 36.87%**	34.06% - 34.84%
Dividend yield (%)	**-**	-
Risk-free interest rate (%)	**5.55% – 7.78%**	7.16% - 7.78%

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

As at March 31, 2020 such outstanding SARs are 517,199 (March 31, 2019: 508,896). Refer below for summary of movement in provision for SAR:

Particulars	Note	Amount
Provision as at April 1, 2018		81
Charge for the year	24	81
Provision as at March 31, 2019	**17**	**162**
Charge for the year	24	40
Payout during the year		(81)
Provision as at March 31, 2020	**17**	**121**

Provision as at the year end classified as:

Particulars	As at March 31, 2020	As at March 31, 2019
Current	**64**	78
Non-current	**57**	84
Total	**121**	**162**

Note 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 using 'market approach' i.e., fair value of net assets, less cost of disposal. Company has used the 'market 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, 2020	Sovereign Distilleries Limited	Tern Distilleries Private Limited	Total
Carrying amount of investments (Gross)			
Investments in equity	4,267	987	
Recoverable amount	325	187	
Shortfall in recoverable amount over carrying value	**3,942**	**800**	
Impairment allowance recognised in earlier years	3,484	800	
Impairment allowance recognised during the year [Refer Note 28(a)]	458	-	**458**
Closing impairment allowance (Refer Note 4)	**3,942**	**800**	

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(a)]	-	61	**61**
Closing impairment allowance (Refer Note 4)	**3,484**	**800**	

Notes:

(a) During the year the Company has impaired its investment in Sovereign Distilleries Limited based on the fair value of the subsidiary.

(b) 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 Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Note 36: Related party disclosures

(a) Names of related parties and description of relationship

(i) Parent entities

- Diageo Plc. United Kingdom (Ultimate Holding Company)
- Tanqueray Gordon & Company Ltd., United Kingdom (Holding Company of Relay B V)
- Relay B V, Netherlands (Holding Company)

(ii) Subsidiaries

Name of the Subsidiary	% of ownership interest	Country of Incorporation
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(b)]	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

(iii) Associates

Name of the Associate	% of ownership interest	Country of Incorporation
Hip Bar Private Limited (from June 25, 2018)	26	India
Wine Society of India Private Limited (up to January 16, 2019)	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 Ireland Ltd.
- Diageo Business Services India Private Limited

Notes to the Financial Statements (Continued)

- UDV Kenya Ltd.
- Diref – Industria De Bebidas Lda.
- Guinness Ghana Breweries Ltd.
- Diageo Singapore Pte
- Diageo India Private Limited

(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 and 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, 2020	For the year ended March 31, 2019
(i) **Investments in equity**			
Hip Bar Private Limited	Associate	-	270
Four Seasons Wines Limited [Refer Note 42(b)]	Subsidiary	-	1,177
Total investments in equity		**-**	**1,447**
(ii) Sale of products (including excise duty) to			
Pioneer Distilleries Limited	Subsidiary	33	18
Guinness Nigeria Plc.	Fellow subsidiary	11	-
Guinness Ghana Breweries Ltd.	Fellow subsidiary	1	-
Diref - Industria De Bebidas Lda.	Fellow subsidiary	3	-
UDV Kenya Ltd.	Fellow subsidiary	8	-
Diageo Scotland Limited (Refer note 57)	Fellow subsidiary	2,483	-
Total- Sale of products		**2,539**	**18**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2020	For the year ended March 31, 2019
(iii) Royalty and brand franchise income			
Four Seasons Wines Limited	Subsidiary	-	1
Guinness Nigeria Plc.	Fellow subsidiary	12	31
Total – Royalty and brand franchise income		**12**	**32**
(iv) (a) Interest income on loans given to			
Royal Challengers Sports Private Limited	Subsidiary	247	247
Pioneer Distilleries Limited	Subsidiary	13	122
Four Seasons Wines Limited	Subsidiary	-	38
Sovereign Distilleries Limited	Subsidiary	1	0
Tern Distilleries Private Limited	Subsidiary	0	0
Sub- Total (Refer Note 21)		**261**	**407**
(iv) (b) Interest income on loans relating to earlier years			
Four Seasons Wines Limited	Subsidiary	-	205
Sub- Total [Refer Note 28(d)]		**-**	**205**
Total – Interest income from subsidiaries		**261**	**612**
(v) Reimbursement of expenses from			
Diageo Plc.	Parent	117	-
Pioneer Distilleries Limited	Subsidiary	2	0
Royal Challengers Sports Private Limited	Subsidiary	17	0
Diageo India Private Limited	Fellow subsidiary	1	-
Diageo Great Britain Limited	Fellow subsidiary	77	89
Diageo Brands BV	Fellow subsidiary	0	9
Diageo Ireland Ltd.	Fellow subsidiary	2	11
Diageo North America Inc.	Fellow subsidiary	41	-
Diageo Singapore Pte	Fellow subsidiary	5	-
Diageo Scotland Limited	Fellow subsidiary	169	8
Total – Reimbursement of expenses received		**431**	**117**
(vi) Purchase of stock-in-trade from			
Four Seasons Wines Limited	Subsidiary	-	79
Diageo Brands BV	Fellow subsidiary	1,962	1,871
Diageo Scotland Limited	Fellow subsidiary	3	-
Diageo Singapore Supply Pte Limited	Fellow subsidiary	3	-
Total- Purchase of stock-in-trade		**1,968**	**1,950**
(vii) Purchase of raw materials from			
Pioneer Distilleries Limited (including purchase through intermediaries)	Subsidiary	1,372	908
Diageo Brands BV	Fellow subsidiary	1,013	931
Total – Purchase of materials		**2,385**	**1,839**
(viii) Bottling charges paid to tie-up manufacturing operations			
Pioneer Distilleries Limited	Subsidiary	95	62
Total – Bottling charges		**95**	**62**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	Name of the related party	Relationship	For the year ended March 31, 2020	For the year ended March 31, 2019
(ix)	**Royalty expense**			
	Diageo North America Inc.	Fellow subsidiary	97	91
	Total – Royalty expense (Refer Note 27)		**97**	**91**
(x)	**Professional charges**			
	Diageo Business Service India Private Limited	Fellow subsidiary	196	232
	Total – Professional charges		**196**	**232**
(xi)	**Cross Charge towards share based payments**			
	Diageo Plc.	Parent	-	2
	Diageo Great Britain Limited	Fellow subsidiary	75	65
	Total – Cross charge		**75**	**67**
(xii)	**Other services received**			
	Advertisement, selling and promotion expenses			
	Royal Challengers Sports Private Limited	Subsidiary	35	25
	Information Technology expenses			
	Diageo Great Britain Limited	Fellow subsidiary	148	58
	Diageo North America Inc	Fellow subsidiary	15	0
	Diageo Business Service India Private Limited	Fellow subsidiary	26	0
	Total – Other services received		**224**	**83**
(xiii)	**Reimbursement of expenses paid to**			
	Sovereign Distilleries Limited	Subsidiary	-	2
	Tern Distilleries Private Limited	Subsidiary	1	0
	Royal Challengers Sports Private Limited	Subsidiary	-	4
	Diageo Scotland Limited	Fellow subsidiary	4	6
	Diageo Brands BV	Fellow subsidiary	5	1
	Diageo Great Britain Limited	Fellow subsidiary	56	42
	Total – reimbursement of expenses paid		**66**	**55**
(xiv)	**Loans given to**			
	Sovereign Distilleries Limited	Subsidiary	30	10
	Royal Challengers Sports Private Limited	Subsidiary	1,700	1,740
	Tern Distilleries Private Limited	Subsidiary	9	16
	Total – Loans given		**1,739**	**1,766**
(xv)	**Loans repaid by**			
	Royal Challengers Sports Private Limited	Subsidiary	1,408	2,290
	USL Holdings Limited	Subsidiary	614	-
	USL Holdings Limited UK	Subsidiary	47	0
	Four Seasons Wines Limited	Subsidiary	-	781
	McDowell's & Co. (Scotland) Limited	Subsidiary	274	-
	Total – Loans repaid		**2,343**	**3,071**
(xvi)	**Allowances reversed on loans/ interest**			
	Four Seasons Wines Limited	Subsidiary	-	449
	USL Holdings (UK) Limited	Subsidiary	52	-
	USL Holdings Limited	Subsidiary	23	-
	Total allowances reversed [Refer Note 28(c)]		**75**	**449**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party		Relationship	For the year ended March 31, 2020	For the year ended March 31, 2019
(xvii)	**Contribution to employee benefit plans**			
	McDowell & Company Limited Employees Provident Fund	Employee benefits plan	145	141
	United Spirits Superannuation Fund	Employee benefits plan	49	55
	Total – Contribution to employee benefit plans		**194**	**196**
(xviii)	**Allowances during the year for loans/ interest receivable**			
	Sovereign Distilleries Limited	Subsidiary	-	4
	Pioneer Distilleries Limited	Subsidiary	490	-
	McDowell & Co. (Scotland) Limited	Subsidiary	63	-
	Total – allowances created [Refer Note 28(b)]		**553**	**4**
(xix)	**Trade advances repaid by**			
	Four Seasons Wines Limited	Subsidiary	-	7
	Pioneer Distilleries Limited	Subsidiary	-	800
	Total – Advances repaid		**-**	**807**

(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, 2020	As at March 31, 2019
(i)	**Other receivables from**			
	Royal Challengers Sports Private Limited	Subsidiary	16	-
	Diageo Scotland Limited	Fellow subsidiary	12	-
	Diageo Ireland Limited	Fellow subsidiary	-	2
	Diageo India Private Limited	Fellow subsidiary	1	-
	Pioneer Distilleries Limited	Subsidiary	2	-
	Total- Other receivables (Refer Note 6)		**31**	**2**
(ii)	**Trade advances to**			
	Pioneer Distilleries Limited	Subsidiary	820	743
	Total- advances outstanding (Refer Note 9)		**820**	**743**
(iii)	**Trade receivables from**			
	United Spirits Singapore Pte Limited	Subsidiary	-	83
	Diageo Scotland Limited	Fellow subsidiary	775	-
	Diref - Industria De Bebidas Lda	Fellow subsidiary	1	-
	UDV Kenya Ltd	Fellow subsidiary	8	0
	Guinness Nigeria Plc.	Fellow subsidiary	60	37
	Total- Trade receivables (Refer Note 11)		**844**	**120**
(iv)	**Trade payables to**			
	United Spirits Singapore Trading Pte Ltd	Subsidiary	-	93
	Royal Challengers Sports Private Limited	Subsidiary	-	9
	Sovereign Distilleries Limited	Subsidiary	4	4
	Diageo Brands BV	Fellow subsidiary	1,103	1,341
	Diageo Great Britain Limited	Fellow subsidiary	190	113
	Diageo North America Inc.	Fellow subsidiary	50	44

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	As at March 31, 2020	As at March 31, 2019
Diageo Scotland Limited	Fellow subsidiary	-	1
Diageo Singapore Supply Pte Limited	Fellow subsidiary	4	1
Diageo Business Service India Private Limited	Fellow subsidiary	65	88
Total trade payables to related parties (Refer Note 18)		**1,416**	**1,694**
(v) Payables to tie-up manufacturing units			
Pioneer Distilleries Limited	Subsidiary	193	89
Total payables to tie-up manufacturing units		**193**	**89**
(vi) Loans (including interest) outstanding from			
(a) Principal			
Royal Challengers Sports Private Limited	Subsidiary	2,725	2,433
Pioneer Distilleries Limited	Subsidiary	1,354	1,354
Sovereign Distilleries Limited	Subsidiary	75	45
Tern Distilleries Private Limited	Subsidiary	47	38
Asian Opportunities & Investments Limited	Subsidiary	545	514
Liquidity Inc.	Subsidiary	75	69
United Spirits (Shanghai) Trading Company Limited	Subsidiary	22	20
McDowell & Co. (Scotland) Limited	Subsidiary	63	333
USL Holdings Limited	Subsidiary	57,317	53,685
USL Holdings (UK) Limited	Subsidiary	129	174
(b) Interest accrued			
Royal Challengers Sports Private Limited	Subsidiary	0	1,359
Pioneer Distilleries Limited	Subsidiary	486	487
Sovereign Distilleries Limited	Subsidiary	4	4
USL Holdings Limited	Subsidiary	101	101
Total - Loans outstanding (Refer Note 5)		**62,943**	**60,616**
(vii) Allowance on loans at year end			
(a) Principal			
Liquidity Inc.	Subsidiary	75	69
United Spirits (Shanghai) Trading Company Limited	Subsidiary	22	20
Pioneer Distilleries Limited	Subsidiary	381	-
Asian Opportunities & Investments Limited	Subsidiary	545	514
USL Holdings (UK) Limited	Subsidiary	129	174
USL Holdings Limited	Subsidiary	57,317	53,104
McDowell & Co. (Scotland) Limited	Subsidiary	63	-
(b) Interest			
USL Holdings Limited	Subsidiary	101	101
Pioneer Distilleries Limited	Subsidiary	486	377
Sovereign Distilleries Limited	Subsidiary	4	4
Total Allowance on loans (Refer Note 5)		**59,123**	**54,363**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	As at March 31, 2020	As at March 31, 2019
(viii) Minimum offtake commitment for purchase of bulk scotch			
Diageo Scotland Limited	Fellow subsidiary	1,308	1,900
(ix) Liability towards reimbursement of levies to			
Pioneer Distilleries Limited	Subsidiary	43	-

(d) Key management personnel and compensation

Executive Directors	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Anand Kripalu	**Sanjeev Churiwala**	**Anand Kripalu**	**Sanjeev Churiwala**
Remuneration (*)	**139**	**43**	158	58
Employee share-based payments (**)	**95**	**30**	38	-
Total compensation	**234**	**73**	**196**	**58**

(*) As the employee benefits obligations such as gratuity, compensated absences and bonuses are provided for the Company as a whole, the amounts pertaining to individual Key Management Personnel are not included above on an accrual basis. Such amounts are included on payment basis.

(**) Based on options exercised.

Non-executive/ Independent Directors	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	**0.9**	**4.7**	0.8	4.7
V K Viswanathan	**0.9**	**3.9**	0.8	3.9
Dr. Indu Shahani	**1.0**	**4.0**	0.9	4.0
D Sivanandhan	**0.9**	**3.9**	0.9	3.9
Rajeev Gupta	**0.7**	**3.5**	0.6	3.5
Total	**4.4**	**20.0**	**4.0**	**20.0**

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

(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 53(b).

Note 37: Offsetting of financial assets and financial liabilities

The Company gives volume based incentives and 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, 2020	As at March 31, 2019
Trade receivables (gross)	**25,139**	27,850
Less: Volume based incentives and rebates payable	**(289)**	(420)
Trade receivables as reported (Refer Note 11)	**24,850**	27,430

Notes to the Financial Statements (Continued)

Note 38(a): Defined contribution plans

Provident Fund:

Provident Fund covers substantially all permanent workmen. Both the eligible employees and the Company make monthly contributions to the Provident Fund as per regulations to a fund administered by government authority, equal to a specified percentage of the employees' salary. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

Employee Pension Scheme:

Employee Pension Scheme covers all employees (i.e., permanent workmen and executive staff) of the Company. A portion of the Company's contribution in respect of government administered Provident Fund and Company administered Provident Fund Plan is made to the government administered Employee Pension Scheme, as per regulations. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

Employees' State Insurance:

Employees' State Insurance is a state plan which is applicable to those employees of the Company whose salaries do not exceed a specified amount. The contributions are made based on a percentage of salary to a fund administered by government authority. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

Superannuation Fund:

Certain executive staff of the Company participate in United Spirits Superannuation Fund (the 'Fund'), which is a voluntary contribution plan. The Company has no further obligations to the plan beyond its monthly contributions to the Fund, the corpus of which is administered by 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 a pension fund manager appointed by Pension Fund Regulatory and Development Authority.

During the year, the Company has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds under the employee benefits expense in Note 24.

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Provident Fund*	**31**	32
Employees' Pension Scheme	**47**	55
Employees' State Insurance	**6**	11
Superannuation Fund	**49**	55
National Pension Scheme	**9**	9
Total (Refer Note 24)	**142**	**162**

* Excludes contributions to Provident Fund Trust which are in the nature of defined benefit plans managed by the Company.

Note 38(b): Defined benefit plans

Gratuity:

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan"), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment or upon resignation from service, of an amount based on the respective employee's last drawn salary and years of employment with the Company. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The funds are managed by a trust administered by the Company.

Pension plan:

The Company operates an unfunded defined benefit pension plan for certain retired employees of an erstwhile entity which has merged into the Company in earlier years. This plan provides benefits to members in the form of a guaranteed level of pension payable for life post retirement or termination of employment. The level of benefits provided depends on their salary in the final year leading up to retirement, or termination.

Notes to the Financial Statements (Continued)

Provident Fund Plan:

Executive staff and certain permanent workmen receive benefits from the provident fund plan, which is a defined benefit plan. Both the employees and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. A portion of Company's contribution is transferred to Employee Pension Scheme, which is a defined contribution plan and the remaining amount is transferred to provident fund plan. The Provident Fund contributions are made to McDowell & Company Limited Employees Provident Fund Trust set up and managed by the Company. The Trust invests in specific designated instruments as permitted by Indian law. The Company has an obligation to make good the shortfall if any, being the difference between the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation. The actuarial risk and investment risk fall, in substance, on the Company.

Gratuity, Provident Fund and Pension

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

	For the year ended March 31, 2020			For the year ended March 31, 2019		
	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)
Obligation at the beginning of the year	1,176	3,009	16	1,250	2,930	18
Current service cost	105	139	-	111	141	-
Interest cost	81	259	1	86	219	1
Benefit payments from plan assets	(150)	(438)	-	(252)	(470)	-
Transfer in/(out)	-	73	-	(6)	61	-
Employee contributions	-	195	-	-	192	-
Benefit payments from the Company	-	–	(3)	-	-	(2)
Actuarial (gain)/loss from changes in demographic assumptions	24	–	-	30	-	-
Actuarial (gain)/ loss from changes in financial assumptions	59	(19)	1	7	35	0
Actuarial (gain)/ loss from experience adjustments	(12)	87	(0)	(50)	(99)	(1)
Obligation at the end of the year	**1,283**	**3,305**	**15**	**1,176**	**3,009**	**16**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Funded)	Provident fund (Funded)
Plan assets at the beginning of the year	1,625	3,032	1,747	2,974
Employee contributions	-	195	-	192
Transfer in/ (out)	-	67	-	61
Contribution by the Company	-	145	-	141
Return on plan assets	120	259	129	219
Actuarial gains/ (losses)*	74	(322)	1	(85)
Benefits paid	(150)	(438)	(252)	(470)
Plan assets at the end of the year	**1,669**	**2,938**	**1,625**	**3,032**

* During the year ended March 31, 2020, the Company has recognized an impairment charge of INR 275 million (net of tax of INR 92 million) in Other Comprehensive Income, arising from impairment in the fair value of certain investments held by the Company administered Provident Fund trust.

Notes to the Financial Statements (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, 2020			As at March 31, 2019		
	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)
Present value of obligation	1,283	3,305	15	1,176	3,009	16
Fair value of plan assets	1,668	2,938	-	1,625	3,032	-
Asset ceiling	-	-	-	-	23	-
Liability/ (asset) recognised in Balance Sheet (Refer Notes 9 and 17)	**(385)**	**367**	**15**	**(449)**	**-**	**16**
Current	-	367	2	-	-	2
Non-current	(385)	-	13	(449)	-	14

D. Expenses recognised in the Statement of profit and loss:

	For the year ended March 31, 2020				For the year ended March 31, 2019			
	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)	**Total**	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)	**Total**
Current service cost	105	139	-	**244**	111	141	-	**252**
Net interest cost								
a. Interest expense on DBO	80	259	1	**340**	86	219	1	**306**
b. Interest (income) on plan assets	(119)	(259)	-	**(378)**	(129)	(219)	-	**(348)**
Total net interest cost (a-b)	(39)	-	1	**(38)**	(43)	-	1	**(42)**
Defined benefit cost (Refer Note 24)	**66**	**139**	**1**	**206**	**68**	**141**	**1**	**210**

E. Re-measurement effects recognised in Other comprehensive income (OCI):

	For the year ended March 31, 2020				For the year ended March 31, 2019			
	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	24	-	-	**24**	30	-	-	**30**
b. Actuarial (gain)/ loss due to financial assumptions changes in DBO	60	(19)	1	**42**	7	35	0	**42**
c. Actuarial (gain)/ loss due to experience on DBO	(12)	87	0	**75**	(50)	(99)	(1)	**(150)**
d. Return on plan assets (greater)/ less than discount rate	(74)	322	-	**248**	(1)	85	-	**84**
e. Movement in asset ceiling (gain)/ loss	-	(23)	-	**(23)**	-	(21)	-	**(21)**
Total actuarial (gain)/ loss included in OCI	**(2)**	**367**	**1**	**366**	**(14)**	-	**(1)**	**(15)**

Notes to the Financial Statements (Continued)

F. Total cost recognised in Comprehensive Income:

	For the year ended March 31, 2020				For the year ended March 31, 2019			
	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)	**Total**	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)	**Total**
Expense recognised in Profit and Loss (Refer Note 24)	66	139	1	**206**	68	141	1	**210**
Remeasurements effects recognised in OCI	(2)	367	1	**366**	(14)	-	(1)	**(15)**
Total cost recognised in Comprehensive Income	**64**	**506**	**2**	**572**	**54**	**141**	**0**	**195**

G. Investment details of plan assets:

	As at March 31, 2020		As at March 31, 2019	
	Gratuity	Provident Fund	Gratuity	Provident Fund
Government securities	-	61%	-	48%
Private sector bonds	-	10%	-	17%
Public sector / financial institutional bonds	-	12%	-	22%
Special deposit scheme	-	4%	-	5%
Insurance products	100%	2%	99%	-
Others (including bank balances)	0%	11%	1%	8%
	100%	**100%**	**100%**	**100%**

H. Assumptions:

	As at March 31, 2020			As at March 31, 2019		
	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)
Discount rate (per annum)	6.58%	6.55%	6.58%	7.30%	7.24%	7.30%
Rate of increase in compensation levels	10%	10%	NA	10%	10%	NA
Attrition rate	5% - 11%	5% - 11%	NA	5% - 13%	5% - 13%	NA
Mortality rates	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table

*IALM: Indian Assured Lives Mortality

Note 38(c): Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is provided below:

Gratuity:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Discount rate	1%	1%	(80)	(68)	93	77
Compensation levels	1%	1%	88	74	(79)	(67)

Notes to the Financial Statements (Continued)

Provident Fund:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Discount rate	1%	1%	(118)	(73)	192	134
Compensation levels	1%	1%	178	127	(116)	(72)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Note 38(d): Risk exposure:

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

Asset Volatility	The plan liabilities are calculated using a discount rate set with reference to yields of government securities; if plan assets underperform this yield, this will create a deficit. Plan asset investments for provident fund are made in government securities, private sector bonds and public sector/financial institution bonds. Plan asset investments for gratuity are made in pre-defined insurance plans. These are subject to risk of default and interest rate risk. The fund manages credit risk/ interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in Bond Yields	A decrease in yields of government securities will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation Risk	In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life Expectancy	The pension and other plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets consists of government and public sector bonds, although the Company also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective regulations.

Note 38(e): Effect of the defined benefit plan on the entity's future cash flows

The Company does not expect to contribute any amounts into the gratuity plan assets during the year ending March 31, 2021, considering the net surplus portion as at March 31, 2020. The Company is expected to contribute INR 153 Million (2019: INR 148 million) to Provident Fund during the year ended March 31, 2021.

The weighted average duration of the defined benefit obligation is 8.36 years (2019: 7.95 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	147	124	406	1,514	**2,191**
Provident fund	345	377	1,355	3,242	**5,319**
Total	**492**	**501**	**1,761**	**4,756**	**7,510**

Notes to the Financial Statements (Continued)

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**

Note:
The estimates of future increase in compensation levels, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Note 39: Adoption of Ind AS 116 on Leases

This note explains the impact of adoption of Ind AS 116, Leases on the Company's financial statements.

As indicated in Note 3.2, the Company has adopted Ind AS 116 prospectively from April 01, 2019. The new accounting policies are disclosed in note 1.4.

On adoption of Ind AS 116, the company has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Ind AS 17, Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of April 01, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on April 01, 2019 was 8.50%.

(a) Practical expedients applied

In applying Ind AS 116, the Company has used the following practical expedients permitted by the standard

- accounting for operating leases with a remaining lease term of less than 12 months as at April 01, 2019 as short term leases, and
- the Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying Ind AS 17 and Appendix C to Ind AS 17, determining whether the arrangement contains lease.

(b) Measurement of lease liabilities

Particulars	Amount
Operating Lease commitments disclosed as at March 31, 2019	280
Add: Impact of re-assessment of lease term under Ind AS 116	1,467
(Less): Discounted using the incremental borrowing rate at the date of initial application	(173)
Add: Finance lease liabilities recognised as at March 31, 2019	239
(Less): Short-term leases not recognised as a liability	(4)
(Less): Low value leases not recognised as a liability	(2)
Lease liability recognised as at April 01, 2019	**1,807**
Of which are:	
Current Lease Liabilities	656
Non-Current Lease Liabilities	1,151
	1,807

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a prospective basis.

(d) Adjustments recognised in the balance sheet on April 01, 2019

The change in adoption of Ind AS 116 affected the following items in the balance sheet on April 01, 2019:

- Right of use assets – increase by INR 1,898 million
- Lease Liabilities – increase by INR 1,807 million

Notes to the Financial Statements (Continued)

Note 40: Leases (Till March 31, 2019)

From April 01, 2019, the company has recognised right of use assets for these leases, except for short term and low value leases, see note 3.2 and 39.

(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 as at March 31, 2019 are as follows:

	As at March 31, 2019	
	Present value of payments	Minimum lease payments
Not later than one year	96	99
Later than one year and not later than five years	143	155
Later than five years	-	-
	239	254
Less: Finance charges		15
Total (Refer Note 15)		**239**

(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.

Rental expense relating to operating leases:

Particulars	**For the year ended March 31, 2019**
Minimum lease payments	425
Contingent rent	2,510
Total rental expense relating to operating lease (Refer Note 27)	**2,935**

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 till March 31, 2019.

Particulars	**As at March 31, 2019**
Within one year	172
Later than one year and not later than five years	108
Later than five years	-
Total	**280**

Note 41: Additional Inquiry

As disclosed in the financial statements for the years ended March 31, 2017, March 31, 2018 and March 31, 2019, upon completion of an Inquiry into past improper transactions which was completed in April 2015 ('Initial Inquiry') and which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016 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,

Notes to the Financial Statements (Continued)

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.

Note 42: Subsidiary rationalisation

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

The completion of the above sale as well as liquidations and mergers by the Company are subject to regulatory and other approvals (in India and overseas). During this rationalisation process, if any historical non-compliances are established, the Company will consult with its legal advisors, and address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliances with applicable laws, if established.

(b) During the previous year (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 ended March 31, 2019). Interest relating to earlier years not previously recognised amounting to INR 205 million had been taken to exceptional income [Refer Note 28(d)]. Further reversal of doubtful allowances aggregating to INR 449 million on loan and interest accrued had been taken to exceptional income [Refer Note 28(c)].

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 and gain on sale of brands of INR 20 million which had been disclosed as an exceptional item in the previous year. [Refer Note 28(e) and (f)].

Note 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, March 31, 2018 and March 31, 2019, the Company had pre-existing loans/ deposits/advances/ accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to INR 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374 million, and for the accrued interest of INR 846 million up to March 31, 2014. The Company has not recognised interest income on said loan after March 31, 2014 which cumulatively amounts to INR 7,519 million up to March 31, 2020. The Company has offset payable to UBHL under the trademark agreement amounting to INR 327 million (2019: INR 327 million) for the year, and consequently, the corresponding provision for loan has been reversed to ' Loss allowance on trade receivables and other financial assets (net)'. The cumulative offset up to March 31, 2020 amounted to INR 1,684 million.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 8, 2018, the arbitral tribunal passed a final award against the Company. The reasons for this adverse award are disputed by the Company, and the Company has obtained leave from the High Court of Karnataka to file a challenge against this arbitral award. The Company has on July 6, 2018 filed the petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced. Notwithstanding the arbitration award, based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL.

Notes to the Financial Statements (Continued)

Note 44: Excess managerial remuneration pertaining to earlier year

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, the managerial remuneration for the financial year ended March 31, 2015 aggregating INR 153 million to the former Executive Director and Chief Financial Officer ('ED & CFO'), was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 134 million. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration which was not approved, and the Company had sought Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO.

Note 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, March 31, 2018 and March 31, 2019 from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;

b) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019 from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. The Company is awaiting a response from the Registrar to the aforesaid applications. The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material to the Company's financial statements;

c) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and

d) as disclosed in the financial statements for the year ended March 31, 2017 , March 31, 2018 and March 31, 2019, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (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 has duly responded to.

Note 46: Dispute with a bank

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from IDBI Bank Limited (the "bank") in earlier years which was secured by certain property, plant and equipment and brands of the Company as well as by a pledge of certain shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280 million, including prepayment penalty of INR 40 million, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment, following which the Company filed a writ petition ("WP") in November 2013 before the Hon'ble High Court of Karnataka challenging the actions of the bank.

In February 2016, following the original maturity date of the loan, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459 million on account of outstanding principal, accrued interest and other amounts as also further interest till

Notes to the Financial Statements (Continued)

the date of settlement. This notice was challenged by the Company by way of a separate application filed in the pending writ proceedings. The Hon'ble High Court of Karnataka, by an order passed in the said application, directed that, subject to the Company depositing INR 459 million with the bank in a suspense account, the bank should not deal with any of the secured assets including the shares until disposal of the writ petition. The Company deposited the full amount, and the bank was restrained from dealing with any of the secured assets.

In June 2019, a single judge bench of the Hon'ble High Court of Karnataka issued an order dismissing the writ petition filed by the Company, amongst other reasons, on the basis that the matter involved an issue of breach of contract by the Company and was therefore not maintainable in exercise of the court's writ jurisdiction. The Company disputed the Order and filed an appeal against this order before a division bench of the Hon'ble High Court of Karnataka. During the quarter ended September 30, 2019, the division bench of the Hon'ble High Court of Karnataka reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the secured assets of the Company by the bank. On January 13, 2020, the division bench of the Hon'ble High Court of Karnataka admitted the writ appeal and extended the interim stay. Based on management assessment supported by external legal opinions, the Company continues to believe that it has a strong case on merits and therefore continues to believe that the aforesaid amount of INR 459 million remains recoverable from the bank.

In a separate proceeding before the Debt Recovery Tribunal (DRT), Bengaluru, initiated by a consortium of banks (including the bank) for recovery of the loans advanced by the bank to Kingfisher Airlines Limited (KAL), the bank filed an application for attachment of the pledged shares belonging to USL Benefit Trust. DRT dismissed the said application of the bank. During the quarter ended September 30, 2017, the bank filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, following an appeal by the Company, DRAT has issued an Order impleading the Company in the proceedings. The bank's appeal is pending for final hearing by DRAT.

Note 47: Difference in yield of certain non-potable intermediates and associated process losses

As disclosed by the Company in its published financial results for the quarter ended December 31, 2018, and in the financial statement for the year ended March 31, 2019, the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (The "Authorities") as per the records being maintained in certain plants (the Affected Plants).

With prior information to and engagement with the Authorities, the Company also engaged independent third party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants, and shared these reports with the Authorities. Based on the understanding/discussion with such Authorities and advice received from external legal counsels, the company has discharged/provided the amounts of financial obligation (which were determined to be not material to the financial statements).

The Company had re-evaluated the existing controls and processes in this area and strengthened the same before the year ended March 31, 2019. Under the direction of the board of directors, the management had engaged an independent law firm to conduct a review of past practices in this area and during the quarter ended June 30, 2019, has taken appropriate action, where a violation of the company's code of business conduct had occurred.

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

Note 48: Capital and other commitments

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Capital commitments for property, plant and equipment	924	1,065
(b) Other commitments: i. relating to advertisement, sales promotion and trade mark fee	789	773
ii. towards minimum offtake commitment for purchase of bulk scotch from a related party	1,308	1,900

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

Notes to the Financial Statements (Continued)

iv. Palmer Investment Group Limited
v. UB Sports Management Overseas Ltd
vi. Liquidity Inc.

b) The Company has given a letter of comfort to a bank, towards a loan facility from that bank amounting to INR 3,500 million (2019: INR 3,500 million) availed by Pioneer Distilleries Limited (PDL), a subsidiary. As per the letter, the Company has expressed its intention to ensure that PDL repays the outstanding amount under the facility on due date and in the event of default by PDL, to take appropriate steps to cause PDL to repay the outstanding out of PDL's resources. The said letter does not constitute a guarantee by USL, as in the event of default by PDL, the bank shall have no recourse to USL.

Note 49: Contingent Liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Income tax matters	**7,157**	7,281
(b) Indirect tax matters		
(i) State excise	**2,033**	1,980
(ii) Central excise	**2**	2
(iii) Sales tax and entry tax	**3,423**	3,509
(c) Other civil litigations and claims	**1,843**	1,549

Notes:

(a) Income tax matters- Income tax matters primarily relate to exposures under transfer pricing and disallowance of certain expenses that the Company had claimed as deductions in its Income Tax returns.

(b) Indirect tax matters- The Company has operations across various states in India. The Company has identified possible exposures relating to local sales tax, entry tax, state excise duty and central excise duty.

(c) Other civil litigations and claims- Other civil litigations relate to various claims from third parties under dispute which are lying with various courts/appellate authorities.

(d) Provident fund- The Company has evaluated the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances in the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact on the Company and accordingly, no provision has been made in the financial statements.

(e) Use of Judgement

Management categorizes the matters based on the probability of cash outflow, which require judgement. Management obtains the views of external consultants where necessary. Based on the assessment, management recognises liability/ provision, or discloses the matter as a contingent liability, except for matters where the probability of outflow of cash is considered remote. Due to uncertainties involved in the process, actual outflows may be different from those originally estimated.

The Company may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. In such cases, appropriate disclosure is provided but no provision is made and no contingent liability is quantified.

(f) Management is optimistic of a favourable outcome in the above matters based on legal opinions / management assessment. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

Note 50: Research expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries and wages	68	52
Contribution to provident fund and other funds	4	5
Staff welfare expenses	2	1
Rent	7	6
Miscellaneous expenses	26	30
Total Research expenses	**107**	**94**

Notes to the Financial Statements (Continued)

Note 51: Dues to Micro and Small enterprises

Particulars	As at March 31, 2020	As at March 31, 2019
Amounts remaining unpaid to Micro and Small Enterprises as at the end of the year:		
- Principal	440	269
- Interest due thereon	17	8
Amounts paid to Micro and Small Enterprises beyond appointed date during the year:		
- Principal	1,859	1,033
- Interest thereon	26	38
The amount of interest due and payable for the period (where the principal has been paid but interest under the Micro Small and Medium Enterprises Act, 2006 not paid)	0	0
Amount of interest accrued and remaining unpaid as at the end of year	17	8
Amount of further interest due and payable even in the succeeding year until such date when the interest dues as above are actually paid	-	-

Note: The above information has been determined to the extent such parties have been identified by the Company.

Note 52: 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 34 million (2019: INR 104 million).

Details of actual CSR expenditure incurred:

Particulars	For the year ended March 31, 2020			For the year ended March 31, 2019		
	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)	161	7	**168**	112	9	**121**

Note 53(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, 2020	As at March 31, 2019
Domestic Subsidiaries			
Royal Challengers Sports Private Limited	Wholly owned subsidiary	1,699	1,699
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**	**16,186**

ii) Investment in associate:

Name of the associate	Relationship	As at March 31, 2020	As at March 31, 2019
Hip Bar Private Limited	Associate	270	270

Notes to the Financial Statements (Continued)

Note 53(b): Details of loans (gross) as per Section 186 (4) of Companies Act, 2013

Name of the borrower	Relationship	Purpose	Rate of Interest 2019-20	Rate of Interest 2018-19	Term/ Repayment Schedule	As at March 31, 2020	As at March 31, 2019
Domestic subsidiaries (Refer note below):							
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Working capital	9%	9%	Principal and interest to be repaid by July 31, 2021	2,725	2,433
Tern Distilleries Private Limited	Wholly owned subsidiary	Working capital	9%	9%	Principal and interest to be repaid by July 31, 2021	47	38
Sovereign Distilleries Limited	Wholly owned subsidiary	Working capital	9%	9%	Principal and interest to be repaid by July 31, 2021	75	45
Pioneer Distilleries Limited	Subsidiary	Working capital / Capex funding	9%	9%	Principal to be repaid by 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	Term/ repayment schedule not specified.	545	514
USL Holdings Limited	Wholly owned subsidiary	Funding towards acquisition of Whyte and Mackay Limited/ Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	57,317	53,685
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	22	20
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	63	333
Liquidity Inc.	Subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	75	69
USL Holdings UK Ltd	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	129	174
Others:							
United Breweries (Holdings) Limited	Unrelated	Refer Note 43	9.50%	9.50%	8 years	12,755	13,082
Total						**75,107**	**71,747**

Note: Simple interest is charged for loans to domestic subsidiaries.

Notes to the Financial Statements (Continued)

Note 54: 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 a		Gross loans outstanding as at		Maximum amount of loans and advances outstanding during the year	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Asian Opportunities & Investments Limited	301	301	545	514	545	558
Four Season Wines Limited	-	-	-	-	-	781
Shaw Wallace Overseas Limited	14	14	-	-	-	-
USL Holdings Limited	22	22	57,317	53,685	57,317	57,159
USL Holdings UK Ltd	-	-	129	174	175	182
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	22	20	22	21
McDowell & Co (Scotland) Limited	126	126	63	333	335	354
Royal Challengers Sports Private Limited	1,699	1,699	2,725	2,433	2,836	3,723
Tern Distilleries Private Limited	1,127	1,127	47	38	47	38
Liquidity Inc.	119	119	75	69	75	74
Sovereign Distilleries Limited	4,582	4,582	75	45	75	45
Hip Bar Private Limited	270	270	-	-	-	-
Total	**16,456**	**16,456**	62,352	**58,665**		

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 53(b).

Notes to the Financial Statements (Continued)

Note 55: Long term contracts, including derivative contracts

The Company does not have any derivative contracts as at March 31, 2020. 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.

Note 56: Proposed merger of Pioneer Distilleries Limited with United Spirits Limited

The Board of Directors ("Board") of PDL and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the proposed merger of PDL with the Company under Sections 230 – 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. Upon completion of the merger, the non-promoter shareholders of PDL will receive 10 equity shares of the Company (face value of INR 2 each) for every 47 equity shares of PDL (face value of INR 10 each), held by them as on the record date. Post the merger, the Company's issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the holding company, a subsidiary of Diageo plc) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities including Securities and Exchange Board of India, National Stock Exchange of India Limited, BSE Limited, the National Company Law Tribunal, and the respective shareholders and creditors of PDL and of the Company.

Note 57: Sale of Bulk Scotch

Revenue from operations and Profit before Tax for the year ended March 31, 2020 includes INR 2,483 million and INR 984 million, respectively, arising from the sale of bulk scotch held by the Company's branch outside India, to Diageo Scotland Limited, a fellow subsidiary of the Company.

During the year ended March 31, 2020, the Company has sold certain bulk scotch, over which an overseas vendor has exercised lien in earlier periods. Consequently, revenue from operations and Profit before Tax for the year ended March 31, 2020 includes INR 229 million and INR 93 million, respectively, from sale of such bulk scotch held by the Company's branch outside India, to the said overseas vendor.

Note 58: Impact of COVID-19

In view of the nationwide lockdown due to the outbreak of COVID-19 pandemic, the Company's operations at all of its manufacturing, warehousing and office locations were temporarily stopped from March 25, 2020. Operations have since resumed in a staggered manner beginning May 2020 with adequate precautions being taken in accordance with Government guidelines, and a majority of the Company's manufacturing locations are operational as at the date of approval of these standalone financial statements. Management is taking appropriate action, as necessary, to scale up manufacturing operations in due compliance with the applicable laws. As at the date of approval of these standalone financial statements, sales have also resumed in a staggered manner across the country, with sale of beverage alcohol being permitted in most states.

The Company has a prudent liquidity risk management policy for maintenance of required cash and/or has access to funds through adequate unutilised sanctioned borrowing limits from banks and is confident of servicing its debt obligations as they fall due. Other than the impairment recorded on loans to/investment in certain subsidiaries, no material impact on the carrying amounts of current and non-current assets (including financial assets) is expected. The Company has assessed its existing controls and internal financial reporting processes and made appropriate changes, as required, in view of the situation arising due to COVID-19 pandemic. Company has also reviewed its contracts/ arrangements and does not expect any material impact on account of non-fulfilment of the obligations by any party.

Notes to the Financial Statements (Continued)

Management has considered various internal and external information available up to the date of approval of these standalone financial statements in assessing the impact of COVID-19 pandemic in the standalone financial statements for the year ended March 31, 2020 and will continue to monitor changes in future economic conditions. The eventual outcome of the impact of COVID-19 may be different from that estimated as on the date of approval of these standalone financial statements.

Notes 59: Previous year figures have been regrouped/reclassified to confirm 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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN: 05178019

Place : Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN: 00118324

V. K. Viswanathan
Director
DIN: 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN: 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

Independent Auditors' Report

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of United Spirits Limited (hereinafter referred to as the "Holding Company") and its subsidiaries and a trust controlled by it (together referred to as "the Group") and its associate company [refer Notes 53(a) and (b) to the attached consolidated financial statements], which comprise the consolidated Balance Sheet as at March 31, 2020, 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 associate company as at March 31, 2020, of consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year ended on that date.

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 associate company in accordance with the Code of Ethics issued by Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the 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 section of our report, other than the unaudited financial statements certified by the management and referred to in paragraph 20 of the Other Matters section of our report, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

4. We draw attention to the following matters:
   a) We draw attention to Note 55 to the consolidated financial statements, which explains the management's assessment of the financial impact due to the lockdown and other restrictions related to the COVID-19 pandemic situation and that the eventual outcome in the subsequent period may be different than that estimated due to the uncertainties involved. Further, our attendance at the physical inventory verification done by the Management for Pioneer Distilleries Limited ('PDL'), a subsidiary of the Holding Company, was impracticable under the current lockdown restrictions imposed by the Government and we have therefore, relied on the related alternative audit procedures to obtain comfort over the existence and condition of inventory of PDL at year end. Additionally, with respect to Royal Challengers Sports Private Limited, another subsidiary of the Holding Company, the aforesaid note also explains the uncertainties around the happening of the Indian Premier League (IPL) 2020 due to the lock-down and other restrictions.

   b) As explained in Note 42 to the consolidated financial statements, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Holding Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Holding Company's erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Holding Company and/or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Holding Company, if any, arising from potential non-compliances with applicable laws in respect of the above.

   c) As explained in Note 43(a) to the consolidated financial statements, the Group has commenced the rationalisation

Independent Auditors' Report (Continued)

process for divestment/liquidation/merger of certain overseas subsidiaries including step down subsidiaries. The completion of the above process is subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Holding Company, if any, arising out of potential historical non-compliances with applicable laws, if established.

d) As explained in Note 43(c) to the consolidated financial statements and as included in the reports of other auditors, consequent to the rationalisation process initiated by the Group in respect of certain overseas subsidiaries including step down subsidiaries, the financial statements of such subsidiaries included in the accompanying consolidated financial statements have been prepared on a liquidation basis. Accordingly, the assets and liabilities of such subsidiaries have been recognized as current at their fair values that approximate their carrying values as at March 31, 2020.

e) As explained in Note 45 to the consolidated financial statements, the Managerial remuneration for the year ended March 31, 2015 included an amount paid in excess of the limit prescribed under the provisions of Schedule V to the Act by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO) of the Holding Company. The Holding Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration from the former ED & CFO of the Holding Company.

f) Note 46 to the consolidated financial statements, which describes the various regulatory notices and communications received from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') and the Holding Company's authorised dealer banks ('AD') to which the Holding Company has responded to.

g) As explained in Note 47 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"). In June 2019, a single judge bench of the Court has issued an order dismissing the writ petition filed by the Holding Company. The Holding Company disputed the order and filed an appeal against this order before a division bench of the Court. During the quarter ended September 30, 2019, the division bench of the Court reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the pledged assets of the Holding Company by the bank. In January 2020, the division bench of the Court admitted the writ appeal and extended the interim stay. Based on management assessment supported by external legal opinions, the Holding Company has disclosed the aforesaid amount of INR 459 million under Other Non-current financial assets as recoverable from the bank. In a separate proceeding before the Debt Recovery Appellate Tribunal, the bank's appeal against the judgement awarded by Debt Recovery Tribunal in favour of the Holding Company in respect of attachment of the aforesaid pledged shares for recovery of the loans advanced by the bank to Kingfisher Airlines Limited is pending disposal.

h) As explained in Note 48 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. Related actions taken and monitoring of future development by the Holding Company in this respect have been described in the said note.

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

Key audit matters

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

Independent Auditors' Report (Continued)

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 51 to the consolidated financial statements) As at March 31, 2020, 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 are complex in some cases due to the industry in which the Holding Company operates and may lack clarity under tax laws.	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/or the accounting and disclosures thereof. • Evaluated the related accounting policy for provisioning for tax exposures/disclosure of contingent liabilities by comparing it to the requirements of the relevant accounting standards. • Obtained management's assessment in respect of tax demands on whether tax outflow is either probable, possible or remote. • Evaluated the management's assessment with the help of auditors' experts, where necessary, as follows: o For the samples selected, read the correspondences received during the year from the tax authorities/orders from appellate authorities. o Read views provided by the management/management tax experts as applicable. o Assessed management's positions on significant tax exposures in accordance with tax laws and past precedents of tax judgements. 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.
b) Sufficiency of procedures performed for obtaining comfort over existence and condition of inventory (Refer note 10 to the consolidated financial statements) As at March 31, 2020, the Holding Company has inventory comprising raw materials, packing materials, work in progress, finished goods, stock in trade and stores and spares aggregating to INR 18,361 million spread across multiple locations. The Holding Company has a cycle count programme to verify inventories between one to four times a year based on the value of inventory in each location during the year. Such cycle counts until February 2020, covering substantial inventory by value, were performed by a third party firm ("consultant") appointed by Holding Company's management. However, the remaining cycle counts planned in the month of March 2020 for certain locations could not be completed by the Holding Company's management/consultant due to COVID-19 travel restrictions and lockdown. Post the relaxation of the lockdown restrictions, the Holding Company's Management completed the remaining cycle counts in the months of April and May 2020. The Holding Company's Management also performed the necessary roll back procedures to obtain comfort over existence and condition of inventories at such locations as at March 31, 2020.	Our procedures included the following: • Understood, assessed and tested the design and operating effectiveness of the Holding Company's controls in respect of cycle count of inventory and perpetual inventory system • We tested the controls by way of inspection of reports issued by the consultant during the year and by way of physical verification of cycle counts performed at certain locations subsequent to the year end. • For certain other locations having high value of inventory where we could not observe physical verification due to travel restrictions imposed by the Government, we relied on the inventory observation by an independent local firm of chartered accountants appointed by the Holding Company's Management. • We tested the workings performed by Holding Company's management to obtain evidence about whether changes in inventory between the count date and the date of consolidated financial statements are properly recorded and supported by underlying documents.

Independent Auditors' Report (Continued)

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter as: • The value of inventory, including the inventory held at the aforesaid locations, is significant to the consolidated financial statements. • As our attendance at the inventory count at the aforesaid locations was impracticable during the month of March 2020, we had to perform alternative audit procedures to obtain sufficient appropriate evidence regarding the existence and condition of inventory at those locations.	

The following Key Audit Matters were included in our audit report dated May 19, 2020, containing an unmodified audit opinion on the financial statements of PDL, a subsidiary of the Holding Company:

Key audit matter	How our audit addressed the key audit matter
a) Assessment of contingent liabilities and provisions for litigations (Refer Note 51(e) to the consolidated financial statements) PDL has litigations related to legal and regulatory matters, of which the most significant ones are related to land matters and water charges. (a) PDL has litigations with certain landowners to whom the Company has paid advance amounts for purchase of land in prior years. (b) PDL also has a litigation with a Government authority in connection with charges levied on purchase of water for the PDL's processing plant. The amounts involved in litigations are significant and Management applies judgment in estimating the likelihood of the outcome and the amount of liability, if any. We have considered this as a key audit matter as the amounts are significant to PDL's financial statements and the eventual outcome of these matters is uncertain and the position taken by Management is based on the exercise of significant judgement, supported by external legal advice, where applicable.	Our audit procedures included the following: • Understood and evaluated the PDL's processes and controls in relation to identifying the risk of not identifying or not disclosing significant litigations and the actions taken by Management to address the risk including the design and operating effectiveness of controls in relation to litigations. • Inquired with the PDL's internal legal counsel on the status of litigations and examined underlying notices from Government authorities and terms of settlement with landowners. • Verified the underlying calculations supporting the appropriateness of related provisions recognised and contingent liabilities disclosed. • Sought and obtained direct confirmation from external lawyers assisting PDL in dealing with the litigations. Based on the above work performed, Management's assessment in respect of these litigations and related disclosures relating to contingent liabilities, where applicable, appears reasonable.
b) Assessment of Going Concern as a basis of accounting for PDL: (Refer Note 54(a) to the consolidated financial statements) PDL has incurred a loss for the year and its accumulated losses as at the year end exceeds the share capital. Apart from the erosion of net worth, PDL's current liabilities as at the year end exceeds the value of current assets. These indicators cast doubt on the ability of PDL to generate adequate cash from operations to meet its financial obligations over the next twelve months. However, PDL has received a letter of financial support from the Holding Company to support the operations of PDL in the foreseeable future. Management and the Board of Directors of PDL have reviewed and approved the cash flow forecast for the next twelve months. Considering the cash flow forecast and the letter of financial support received from the Holding Company, Management and the Board of Directors of PDL have concluded that there is no material uncertainty, which impacts the ability of PDL to continue as a going concern.	Our audit procedures included the following: • Understood and evaluated the PDL's processes and controls in relation to identifying the risk of going concern and the actions taken by Management to address the risk including the design and operating effectiveness of controls in relation to going concern. • Verified the letter of financial support received by PDL from the Holding Company. • Assessed the financial condition of the Holding Company to examine whether it would be able to enable PDL to meet its obligations as they fall due for a period of at least one year from the date of the balance sheet. • Evaluated the inputs and assumptions used in the cash flow forecast prepared by Management by evaluating the assumptions and comparing them to external data as well as estimates used in the preparation of financial statements of PDL.

Independent Auditors’ Report (Continued)

Key audit matter	How our audit addressed the key audit matter
The availability of sufficient funding and testing whether PDL will be able to continue meeting its obligations are important for the going concern assumption and, as such, are significant aspects of our audit. The cash flow forecast contains assumptions like revenue growth and improvement in plant operations where Management has applied judgements that, in the current external environment, can be challenged. Hence, this area has been considered as a key audit matter.	• Verified that the cash flow forecast has been prepared considering the attributes of the prior year approved budget and that the assumptions considered in the cash flow forecast are consistent and comparable with those in the prior year approved budget; and that the estimates and assumptions have been updated where applicable. Based on the above work performed, Management’s assessment of the going concern assumption in the preparation of financial statements of PDL appears reasonable.

Other Information

6. The Holding Company’s Board of Directors is responsible for preparation of the other information. The other information comprises the information included in the Report of the Directors, Business Responsibility Report, Corporate Governance Report and Management Discussion and Analysis, but does not include the consolidated financial statements and our auditor’s report thereon.

7. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to report that fact.

   We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

9. The Holding Company’s Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance (including consolidated other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group and its associate company in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

10. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for assessing the ability of the Group and of its associate company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or its associate company or to cease operations, or has no realistic alternative but to do so.

11. The respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for overseeing the financial reporting process of the Group and of its associate company.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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

Independent Auditors' Report (Continued)

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.

14. We also:
    a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 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 company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group and its associate company to cease to continue as a going concern.
    e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
    f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

15. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

16. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

17. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

18. We did not audit the financial statements of one trust controlled by the Holding Company and incorporated in India, whose financial statements reflect total assets of INR 41 million and net assets of INR 41 million as at March 31, 2020, total revenue of Nil, total comprehensive income (comprising of loss and other comprehensive income) of INR (0)* million and cash flows (net) of INR (o)* for the year ended March 31, 2020, 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

Independent Auditors' Report (Continued)

and our opinion on the consolidated financial statements, in so far 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.

19. We did not audit the financial statements of 13 subsidiaries located outside India, included in the consolidated financial statements, whose financial statements constitute total assets of INR 399 million and net assets of INR 142 million as at March 31, 2020, total revenues of Nil, total comprehensive income (comprising of profit and other comprehensive income) of INR 51 million and cash flows (net) of INR 7 million for the year ended March 31, 2020, 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 as necessary made by the Holding Company's management. Our opinion on the consolidated financial statement insofar as it relates to the balances and affairs of such subsidiaries located outside India, including other information, is based on the reports of other auditors and the conversion adjustments prepared by the Management of the Holding Company as necessary and audited by us.

20. The consolidated financial statements include the Group's share of total comprehensive income of INR (33) million (comprising of loss and other comprehensive income) for the year ended March 31, 2020 in respect of one associate company 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 statement, insofar as it relates to the amounts and disclosures included in respect of the aforesaid associate company, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Holding Company's Management, 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 specified in paragraphs 18 and 19 with respect to our reliance on the work done and the reports of the other auditors and as specified in paragraph 20 respect to the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

21. 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) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 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, 2020 from being appointed as a director in terms of Section 164(2) of the Act.

    f) With respect to the adequacy of internal financial controls with reference to financial statements of the Holding Company and subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate report in Annexure A. Reporting under Section 143(3)(i) of the Act in respect of the adequacy of internal controls with reference to financial statements is not applicable to the controlled trust as it is not a company.

    g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our

Independent Auditors' Report (Continued)

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, 2020 on its financial position in the consolidated financial statements – Refer Notes 8, 18, 44, 45, 47 and 51 to the consolidated financial statements;

ii. The Group has long-term contracts for which there are no material foreseeable losses. The Group did not have derivative contracts as at March 31, 2020 – Refer Note 56 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, 2020 except for three instances in respect of the Holding Company aggregating to INR 1 million with delays ranging from 1 to 28 days; and

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2020.

22. The Holding Company and its subsidiary companies incorporated in India have paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

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

Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 20039985AAAACH3189

Place : Bengaluru
Date : May 27, 2020

Annexure A to Independent Auditors' Report

Referred to in paragraph 21(f) 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, 2020

Report on the Internal Financial Controls with reference to financial statements under Section 143(3)(i) of the Act

1. In conjunction with our audit of the financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls with reference to consolidated 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.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements 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 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.

Annexure A to Independent Auditors' Report (Continued)

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, 2020, 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. (Also, refer paragraph 4(a) of our report on the consolidated financial statements).

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

Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 20039985AAAACH3189

Place : Bengaluru
Date : May 27, 2020

Consolidated Balance Sheet

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	**13,538**	14,182
Right-of-use assets	3.2	**1,975**	-
Capital work-in-progress		**1,041**	1,019
Goodwill	3.3	**210**	493
Intangible assets	3.3	**3,836**	3,737
Intangible assets under development		**170**	165
Investments accounted for using equity method	4	**219**	252
Financial assets			
Loans	5	**184**	227
Other financial assets	6	**1,754**	1,635
Deferred tax assets (net)	7	**1,590**	2,900
Income tax assets (net)	8	**11,361**	9,787
Other non-current assets	9	**3,932**	4,054
Total non-current assets		**39,810**	**38,451**
Current assets			
Inventories	10	**19,275**	19,343
Financial assets			
Trade receivables	11	**22,835**	25,425
Cash and cash equivalents	12.1	**661**	2,164
Bank balances other than cash and cash equivalents	12.2	**74**	665
Loans	5	**160**	169
Other financial assets	6	**3,058**	2,547
Other current assets	9	**2,570**	2,325
Total current assets		**48,633**	**52,638**
Assets held for sale	13	**70**	-
Total assets		**88,513**	**91,089**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**1,453**	1,453
Other equity			
Reserves and surplus	15	**35,827**	29,450
Equity attributable to the owners of United Spirits Limited		**37,280**	**30,903**
Non-controlling interests		**(413)**	(31)
Total equity		**36,867**	**30,872**

Consolidated Balance Sheet (Continued)

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	16	**147**	7,804
Lease liabilities	3.2	**1,203**	-
Deferred tax liabilities (net)	7	**76**	-
Provisions	18	**82**	535
Other non-current liabilities	20	**200**	-
Total non-current liabilities		**1,708**	**8,339**
Current liabilities			
Financial liabilities			
Borrowings	16	**16,060**	20,894
Lease liabilities	3.2	**762**	-
Trade payables	19		
(A) total outstanding dues of micro and small enterprises		**469**	278
(B) total outstanding dues of creditors other than micro and small enterprises		**11,525**	13,805
Other financial liabilities	17	**9,426**	2,464
Provisions	18	**4,539**	3,457
Income tax liabilities (net)	8	**2,976**	4,205
Other current liabilities	20	**4,181**	6,775
Total current liabilities		**49,938**	**51,878**
Total liabilities		**51,646**	**60,217**
Total equity and liabilities		**88,513**	**91,089**

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN : 05178019

Place : Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN : 00118324

V. K. Viswanathan
Director
DIN : 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN : 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

Consolidated Statement of Profit and Loss

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
INCOME			
Revenue from operations	21	**288,237**	288,725
Other income	22	**220**	692
Total income		**288,457**	**289,417**
EXPENSES			
Cost of materials consumed	23	**46,398**	42,545
Purchase of stock-in-trade		**2,907**	2,832
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	**984**	657
Excise duty		**194,983**	195,317
Employee benefits expense	25	**5,300**	6,898
Finance costs	26	**2,120**	2,372
Depreciation, amortisation and impairment expense	27	**2,853**	2,147
Others:			
Advertisement and sales promotion		**7,173**	8,591
Loss allowance on trade receivables and other financial assets (net)		**(551)**	1,361
Other expenses	28	**15,320**	16,588
Total expenses		**277,487**	**279,308**
Profit before exceptional items, share of net profit/(loss) of investments in associates accounted for using equity method and tax		**10,970**	**10,109**
Share of net profit/(loss) in associates accounted for using equity method		**(33)**	(18)
Profit before exceptional items and tax		**10,937**	**10,091**
Add/(Less): Exceptional items (net)	29	**666**	26
Profit before tax		**11,603**	**10,117**
Tax expense:	30		
Current tax		**3,063**	4,467
Current tax relating to earlier years		**857**	-
Deferred tax (credit)/charge		**1,373**	(1,070)
MAT credit utilised/(availed)		**104**	(116)
Total tax expense		**5,397**	**3,281**
Profit for the year		**6,206**	**6,836**

Consolidated Statement of Profit and Loss (Continued)

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2020	For the year ended March 31, 2019
Other comprehensive income			
A. Items that will be reclassified to profit or loss			
(i) Exchange difference on translation of foreign operations		**49**	20
B. Items that will not be reclassified to profit or loss			
(i) Remeasurements of post-employment benefit obligations		**(360)**	13
(ii) Income tax credit/(charge) relating to these items		**91**	(5)
Other comprehensive income for the year, net of income tax		**(220)**	**28**
Total comprehensive income for the year		**5,986**	**6,864**
Profit is attributable to:			
Owners of United Spirits Limited		**6,589**	7,002
Non-controlling interests		**(383)**	(166)
		6,206	**6,836**
Other comprehensive income is attributable to:			
Owners of United Spirits Limited		**(221)**	29
Non-controlling interests		**1**	(1)
		(220)	**28**
Total comprehensive income is attributable to:			
Owners of United Spirits Limited		**6,368**	7,031
Non-controlling interests		**(382)**	(167)
		5,986	**6,864**
Basic and diluted earnings per share (INR)	31	**9.29**	9.87

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN: 05178019

Place : Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN: 00118324

V. K. Viswanathan
Director
DIN: 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN: 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

Consolidated Cash Flow Statement

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2020		For the year ended March 31, 2019	
A. CASH FLOW FROM OPERATING ACTIVITIES					
Profit before tax			**11,603**		**10,117**
Adjustments for					
Depreciation, amortisation and impairment expense	27	**2,853**		2,147	
Derecognition of goodwill on account of sale of subsidiary	3.3	**-**		(136)	
Employee share-based payment expense	25	**124**		197	
Loss allowance on trade receivables and other financial assets (net)		**(551)**		1,361	
Provision for doubtful other assets (net)	28	**(16)**		181	
Exchange gain (net) on translation of assets and liabilities		**49**		20	
Finance costs	26	**2,120**		2,372	
Liabilities/provisions no longer required written back	22	**(79)**		(129)	
Gain on disposal of property, plant and equipment (net)	22	**(52)**		(366)	
Interest income	22	**(62)**		(64)	
Share of net (profit)/loss in associate accounted for using equity method	4	**33**		18	
Exceptional items	29	**(666)**		(26)	
			3,753		**5,575**
Operating profit before working capital changes			**15,356**		**15,692**
(Increase) /decrease in trade receivables		**2,713**		838	
(Increase) /decrease in loans and other financial assets		**444**		(639)	
(Increase) /decrease in other assets		**(124)**		1,612	
(Increase) /decrease in inventories		**68**		(146)	
Increase /(decrease) in trade payables		**(2,010)**		(602)	
Increase /(decrease) in other financial liabilities		**(541)**		(567)	
Increase /(decrease) in other liabilities		**(2,341)**		1,431	
Increase /(decrease) in provisions		**95**		238	
			(1,696)		**2,165**
Cash generated from operations			**13,660**		**17,857**
Income taxes paid (net)			**(5,828)**		**(8,374)**
Net cash generated from operating activities (A)			**7,832**		**9,483**
B. CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment and intangible assets		**(2,116)**		(1,730)	
Proceeds from sale of property, plant and equipment and assets held for sale		**118**		962	
Proceeds from sale of subsidiaries		**-**		319	
Investment in associate		**-**		(270)	
Interest received		**62**		64	
Net cash inflow /(outflow) from investing activities (B)			**(1,936)**		**(655)**

Consolidated Cash Flow Statement (Continued)

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2020		For the year ended March 31, 2019	
C. CASH FLOW FROM FINANCING ACTIVITIES					
Net proceeds /(repayment) of commercial papers	16	**(9,000)**		(8,087)	
Net proceeds /(repayment) of working capital loans	16	**4,095**		2,324	
Principle element of lease payments	16	**(645)**		-	
Repayment of deferred sales tax liability	16	**(38)**		(27)	
Interest paid on borrowings	16	**(1,649)**		(2,293)	
Interest paid on lease liabilities	16	**(162)**		-	
Net cash inflow/(outflow) from financing activities (C)			**(7,399)**		**(8,083)**
Net increase/(decrease) in cash and cash equivalents [D = A+B+C]			**(1,503)**		**745**
Cash and cash equivalents as at the beginning of the year (E)			**2,164**		1,419
Net increase /(decrease) in cash and cash equivalents (as above)			**(1,503)**		745
Cash and cash equivalents as at the end of the year [D+E]	12.1		**661**		**2,164**

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN: 05178019

Place: Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN: 00118324

V. K. Viswanathan
Director
DIN: 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN: 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

Consolidated Statement of Changes in Equity

A. Equity

Particulars	Note	Amount
Equity share capital as at April 1, 2018	14	**1,453**
Changes in equity share capital		-
Equity share capital as at March 31, 2019	14	**1,453**
Changes in equity share capital		-
Equity share capital as at March 31, 2020	14	**1,453**

B. Other Equity

(Refer Note 15)

Particulars		Attributable to owners of United Spirits Limited												Non-Controlling interest	Total
		Reserves and Surplus													
	Note	Capital reserve	Capital redemption reserve	Securities premium	Treasury shares	Central subsidy	Share based incentive reserve	Foreign currency translation reserve	Contingency reserve	General reserve	Retained earnings	Total			
Balance as 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	35	-	-	-	-	-	116	-	-	-	-	**116**		-	**116**
Cross charge by Diageo group companies during the year towards share based incentives	37(b) (ix)	-	-	-	-	-	(67)	-	-	-	-	**(67)**		-	**(67)**
Balance as at March 31, 2019	**14**	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**49**	**135**	**110**	**10,408**	**(32,159)**	**29,450**		**(31)**	**29,419**
Profit for the year		-	-	-	-	-	-	-	-	-	6,589	**6,589**		(383)	**6,206**
Other Comprehensive Income (OCI), net of tax		-	-	-	-	-	-	49	-	-	(270)	**(221)**		1	**(220)**
Total Comprehensive Income		**-**	**-**	**-**	**-**	**-**	**-**	**49**	**-**	**-**	**6,319**	**6,368**		**(382)**	**5,986**
Share based incentives	35	-	-	-	-	-	84	-	-	-	-	**84**		-	**84**
Cross charge by Diageo group companies during the year towards share based incentives	37(b) (ix)	-	-	-	-	-	(75)	-	-	-	-	**(75)**		-	**(75)**
Balance as at March 31, 2020	**14**	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**58**	**184**	**110**	**10,408**	**(25,840)**	**35,827**		**(413)**	**35,414**

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN : 05178019
Place : Mumbai

V. K. Viswanathan
Director
DIN : 01782934

Place : Bengaluru
Date : May 27, 2020

Anand Kripalu
Managing Director & Chief Executive Officer
DIN : 00118324

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN : 00489556

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 and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, the Group holds perpetual right to the Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL). The 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 27, 2020.

Note 1 - Significant accounting policies

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

1.1 Basis of preparation of consolidated financial statements

(i) **Compliance with Ind AS**

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

(ii) **Going concern**

These consolidated financial statements are prepared on a going concern basis unless the Holding Company management either intends to liquidate any entities within the Group or has no realistic alternative but to do so, in which case the financial statements of such entities are prepared and consolidated on a liquidation basis (i.e. "break up" basis).

(iii) **Historical cost convention**

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

- defined benefits plans – plan assets is measured at fair value;
- share-based payment obligations measured at fair value; and
- assets held for sale measured at lower of cost and fair value less cost 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 been classified as current in respect of certain overseas subsidiaries 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, 2019:

- Ind AS 116, *Leases*
- Long-term interests in Associates and Joint ventures – Ind AS 28, Investments in associates and Joint Ventures*
- Prepayment features with Negative Compensation – Amendments to Ind AS 109, Financial Instruments*
- Uncertainty over Income Tax Treatments – Appendix C to Ind AS 12, *Income Taxes**
- Plan Amendment, Curtailment or Settlement – Amendments to Ind AS 19, *Employee Benefits**
- Amendment to Ind AS 103, Business Combinations*
- Amendment to Ind AS 111, Joint Arrangements*
- Amendment to Ind AS 12, *Income Taxes**
- Amendment to Ind AS 23, *Borrowing Costs**

*There has been no impact on adoption of these amendments on the consolidated financial statements.

The Group changed its accounting policy in respect of lease accounting during the year, following the mandatory adoption of Ind AS 116. The impact of this is disclosed in note 40.

1.2 Principles of consolidation and equity accounting

(i) **Subsidiaries**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to

Notes to the Consolidated Financial Statements (Continued)

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. Inter-company 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 re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

1.3 Foreign currency translation

(i) **Functional and presentation currency**

The consolidated financial statements are presented in Indian Rupee (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.

(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

Notes to the Consolidated Financial Statements (Continued)

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. 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

(*) Up to March 31, 2019 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.

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

Notes to the Consolidated Financial Statements (Continued)

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

Brands and Licenses

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

Computer software

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

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

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

Franchisee right

The Group, through one of its wholly owned subsidiary, owns perpetual right to the Bangalore Franchisee of Board of Control for Cricket in Indian Premier League (BCCI – IPL). Franchisee right acquired 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.

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.

Notes to the Consolidated Financial Statements (Continued)

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

Till March 31, 2019:

As a lessee

Leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost was charged to the Statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the Group would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases up to March 31, 2019. Payments made under operating leases (net of any incentives received from the lessor) were charged to Statement of Profit or Loss on a straight line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

With effective from April 01, 2019:

As a lessee

From April 01, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), for example arrangements that require payments based on agreed minimum production volumes
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements (Continued)

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise small items of office equipment and furniture.

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.

ii) Loans

On initial recognition, Loans are measured at fair value. Since the objective is to hold these financial assets to collect contractual cash flows that are solely payments of principal and interest, these assets are subsequently measured at amortised cost using the EIR method less impairment, if any.

iii) Other financial assets:

On initial recognition, other financial assets are measured at fair value, and subsequently, measured at the amortised cost, less impairment if any. Loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

b) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

c) Impairment of financial assets

The Group applies ECL model for measurement and recognition of loss allowance on Trade receivables and other financial assets measured at amortised cost.

In case of trade receivables, the Group follows the provision matrix approach (as permitted by Ind AS 109) wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

In case of other financial assets, the Group determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improve such that there is no longer a significant increase in credit risk since initial recognition, the Group reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive (i.e., cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

Notes to the Consolidated Financial Statements (Continued)

ECL are measured in a manner that they reflect probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/expense in the Statement of Profit and Loss under the head 'Loss allowance on trade receivables and other financial assets'.

d) Income recognition

Dividend income on investments is recognised and accounted for when the right to receive the payment is established, it probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

Interest income is accounted for on a time-proportion basis using effective interest rate method taking into account the amounts invested and the rate of interest except for financial assets that subsequently become credit impaired.

B) Financial Liabilities:

a) Recognition and measurement

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value and subsequently measured at amortised cost.

Trade and other payables

In case of trade and other payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

b) Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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.

Notes to the Consolidated Financial Statements (Continued)

b) Revenue from manufacture and sale of products from tie-up manufacturing arrangements

The Group has entered into arrangements with Tie-up Manufacturing Units (TMUs), wherein TMUs manufacture and sell beverage alcohol on behalf of the Group. Under such arrangements, the Group has exposure to significant risks and rewards 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.

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 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 certain category of eligible employees. The minimum statutory rate at which the annual rate of

Notes to the Consolidated Financial Statements (Continued)

interest is payable to the beneficiaries of such plan is declared by the Central Government. The Group has an obligation to make good the shortfall if any, in the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Group also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation.

Defined contribution plans

These are plans in which the Group pays pre-defined amounts to funds administered by government authority/ Group and does not have any legal or constructive obligation to pay additional sums. These comprise contributions in respect of Employees' Provident Fund, Employees' Pension Scheme, Employees' State Insurance, Superannuation Fund and National Pension Scheme. The Group's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

(c) Other long term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of Profit and Loss.

(d) Share based payments

Share based compensation benefits are provided to certain grades of employees in the form of United Spirits Limited – Stock Appreciation Rights Plan, a cash settled scheme, and various equity settled schemes managed by Diageo group.

Stock appreciation rights

Liabilities for the Group's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as current/ non-current provisions in the balance sheet.

Diageo group share based payment arrangements

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of Profit and Loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognises the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plans are cross charged by Diageo group companies, the same is accounted for as a reduction from equity. To the extent the amount or recharge exceeds the fair value of equity shares on the date of exercise, the same is recognised in the Statement of Profit and Loss.

1.11 Income tax

Income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities 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.

Notes to the Consolidated Financial Statements (Continued)

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

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

1.12 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

1.13 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

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

1.14 Borrowings

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

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of Profit and Loss as other gains/(losses).

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Company has appointed a strategic steering committee which assesses the financial performance and position of the Group and makes strategic decisions. The executive committee, which has been identified as being the chief operating decision maker, consists of the Managing Director & Chief Executive Officer and other senior management team members assesses the financial performance and position of the Group and makes strategic decisions.

Notes to the Consolidated Financial Statements (Continued)

1.18 Equity

Own shares represent shares of the Group and those held in treasury by USL Benefit trust pursuant to orders of High Court of Karnataka and Bombay.

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.

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 39(b)
- Estimation of provisions and contingent liabilities – Notes 8, 18, 48 and 51
- Impairment of trade receivables – Notes 32

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 amortisation. 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 amortised 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

3.1 Property, Plant and Equipment

Particulars	Owned						Leased [Refer Note 41(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, 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)	-	-	(4)	**(249)**
Disposal of subsidiary [Refer Note 43(b)]	(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 43 (b)]	-	(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**
Year ended March 31, 2020										
Gross carrying amount										
Opening	2,601	4,525	12,231	473	448	21	131	501	10	**20,941**
Adjustment on adoption of Ind AS 116 on Leases [Refer Note (d) below]	-	-	-	-	-	-	(131)	(501)	(10)	**(642)**
Additions	15	338	1,293	47	121	0	-	-	-	**1,814**
Disposals	(21)	(35)	(456)	(3)	(6)	(2)	-	-	-	**(523)**
Closing gross carrying amount	**2,595**	**4,828**	**13,068**	**517**	**563**	**19**	**-**	**-**	**-**	**21,590**
Accumulated depreciation and impairment										
Opening	-	802	5,023	300	305	15	48	256	10	**6,759**
Adjustment on adoption of Ind AS 116 on Leases [Refer Note (d) below]	-	-	-	-	-	-	(48)	(256)	(10)	**(314)**
Depreciation charge for the year	-	255	1,671	51	85	2	-	-	-	**2,064**
Disposals	-	(17)	(429)	(3)	(6)	(2)	-	-	-	**(457)**
Closing accumulated depreciation and impairment	**-**	**1,040**	**6,265**	**348**	**384**	**15**	**-**	**-**	**-**	**8,052**
Net carrying amount as at March 31, 2020	**2,595**	**3,788**	**6,803**	**169**	**179**	**4**	**-**	**-**	**-**	**13,538**

Notes:

(a) Buildings include gross carrying amounts of INR 339 million (2019: 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 Group towards fully paid shares held in a co-operative housing society for the purpose of acquiring the right of occupation.

(c) Represents assets reclassified from asset held for sale to PPE, 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) Pursuant to adoption of Ind AS 116, assets under finance lease as at March 31, 2019 have been transferred to right-of-use assets on April 01, 2019 and are presented as a separate line in the balance sheet as at March 31, 2020, refer Note 3.2. Also refer Notes 40 and 41 for additional disclosures pertaining to leases.

Property, plant and equipment pledged as security

Refer to note 34 for information on property, plant and equipment pledged as security by the Company.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

3.2 Leases

This note provides information for leases where the Group is a lessee. The Group takes on lease various offices, warehouses, plant and equipment and office equipment. Rental contracts are typically entered into for 30 years to 100 years for lease hold land and for periods of 11 months to 5 years for other categories, and may have extension options as described in Note (d) below. Some of the leasing arrangements entered into by the Company include non-cancelable lease terms.

(i) Amounts recognised in Balance Sheet

	As at March 31, 2020	As at April 1, 2019
Right-of-Use assets		
Leasehold land	**82**	83
Buildings	**1,069**	1,082
Plant and equipment	**605**	486
Office equipment	**219**	247
Total	**1,975**	**1,898**
Lease Liabilities		
Current	**762**	656
Non-Current	**1,203**	1,151
Total	**1,965**	**1,807**

(ii) Amounts recognised in the statement of profit and loss

	Notes	For the year ended March 31, 2020
a) Depreciation charge of right-of-use assets	27	
Leasehold land		**1**
Buildings		**368**
Plant and equipment		**248**
Office equipment		**107**
Total		**724**
b) Interest expenses (included in finance cost)	26	**162**
c) Lease related expenses included in rent expenses	28	
Short term leases		**126**
Leases of low value assets		**109**
Variable lease payments (not included in lease liabilities)		**2,373**
Total		**2,608**

(iii) The total cash outflow for leases for the year ended March 31, 2020 was INR 3,415 million.

Notes:

(a) In the previous year, the Group only recognised leased assets and liabilities in relation to the leases that were classified as 'finance lease' under Ind AS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of Group's borrowings and other financial liabilities. For adjustments pursuant to adoption of Ind AS 116, Leases on April 01, 2019, (Refer Note 40).

(b) Additions to the right-of-use assets during the current financial year aggregate to INR 803 million.

(c) Variable lease payments

The Company has lease contracts for plant and equipment that contain variable payments. Variable lease payments that depend on production volumes are recognised in the statement of profit and loss in the period in which the condition that triggers those payments occurs. Any changes in production under contracts which include variable lease payments, would have a proportionate impact on the variable lease payments.

Certain agreements contain clauses for minimum production volumes and hence a portion of lease payments in these agreements are 'in-substance fixed'. To the extent of in-substance fixed components, the lease payments are included under the right-of-use assets and related lease liability.

(d) Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management considers contractual terms and conditions, leasehold improvements undertaken, costs relating to termination of lease and importance of the underlying asset to the Group's operations in determining the lease term for the purpose of recognising/measuring the lease liability.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

3.3 Intangible Assets

Particulars	Other Intangible Assets					Goodwill
	Brand	Licenses	Computer Software	Franchise Right [Refer Note (a) below]	Total	
Year ended March 31, 2019						
Gross carrying amount						
Opening	114	38	117	3,997	**4,266**	**1,249**
Additions - Acquired	-	-	36	-	**36**	-
Derecognition of goodwill on account of sale of subsidiary [Refer Note 43(b)]	-	-	-	-	**-**	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**
Year ended March 31, 2020						
Gross carrying amount						
Opening	114	38	153	3,997	**4,302**	**1,385**
Additions - Acquired	-	-	231	-	**231**	-
Disposals	-	-	-	-	**-**	-
Closing gross carrying amount	**114**	**38**	**384**	**3,997**	**4,533**	**1,385**
Accumulated amortisation and impairment						
Opening	114	15	44	392	**565**	**892**
Amortisation charge for the year	-	3	56	73	**132**	-
Impairment charge for the year [Refer Notes 29(b) and 53(c)]	-	-	-	-	**-**	283
Disposals	-	-	-	-	**-**	-
Closing accumulated amortisation and impairment	**114**	**18**	**100**	**465**	**697**	**1,175**
Net carrying amount as at March 31, 2020	**-**	**20**	**284**	**3,532**	**3,836**	**210**

Notes:

a) The carrying amount of franchise right as at March 31, 2020 is INR 3,532 million (2019: INR 3,605 million) and it is to be amortized over the remaining period of 38 years/IPL seasons. The Group has estimated the useful life of the franchisee right to be 50 years/IPL seasons based on an 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 3,426 million (2019: INR 3,490 million). If the useful life were longer by 5 years, the carrying amount would be INR 3,652 million (2019: INR 3,803 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 53(c) for subsidiary wise details of movement in Goodwill.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020 *(Continued)*

(All amounts in INR Millions unless otherwise stated)

4. Investments accounted for using Equity Method

An analysis of the Group's interests in associates is as follows:

	As at March 31, 2020	As at March 31, 2019
As at the beginning of the year	**252**	-
Additions (Refer Note below)	**-**	270
Share of profits/(losses) for the year	**(33)**	(18)
Share of other comprehensive income	**-**	-
As at the end of the year	**219**	**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, 2020	For the year ended March 31, 2019
Profit/ (Loss) after tax	**(127)**	(68)
Other comprehensive income	**-**	-
Total comprehensive income	**(127)**	**(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 "HIPBAR", which acts as an electronic payment platform servicing the beverage alcohol industry and its consumers. Hip Bar has been treated as an "associate company", i.e., by virtue of the Group having a share in excess of 20% in Hip Bar.

5. Loans

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Loan to UBHL (Refer Note 44)	**-**	**12,755**	-	13,082
Loans to employees	**19**	**-**	18	-
Security deposits	**234**	**184**	249	227
	253	**12,939**	267	13,309
Less: Loss allowance				
Loan to UBHL (Refer Note 44)	**-**	**(12,755)**	-	(13,082)
Security deposits	**(93)**	**-**	(98)	-
	(93)	**(12,755)**	(98)	(13,082)
Total Loans	**160**	**184**	**169**	**227**

	As at March 31, 2020	As at March 31, 2019
Details of securities/categorisation of credit risk on loans		
Loans considered good- secured	**-**	-
Loans considered good- unsecured	**437**	494
Loans which have significant increase in credit risk	**-**	-
Loans- credit impaired	**12,755**	13,082
Total	**13,192**	**13,576**
Less: Loss allowance	**(12,848)**	(13,180)
Total Loans	**344**	**396**

Refer Note 32 for information about financial risk management.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020 *(Continued)*

(All amounts in INR Millions unless otherwise stated)

6. Other Financial Assets

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Balances with banks [Refer Note below]	**-**	**770**	-	757
Receivable from related parties [Refer Note 37(c)(i)]	**13**	**-**	2	-
Government grant	**127**	**1,200**	893	1,147
Receivable from Tie-up manufacturing units	**2,905**	**672**	1,503	756
Contract Assets [Refer Note (d) below]	**-**	**-**	105	-
Other receivables	**171**	**-**	204	-
	3,216	**2,642**	2,707	2,660
Less: Loss allowance				
Government grant	**-**	**(216)**	-	(269)
Receivable from Tie-up manufacturing units	**-**	**(672)**	-	(756)
Other receivables	**(158)**	**-**	(160)	-
	(158)	**(888)**	(160)	(1,025)
Total other financial assets	**3,058**	**1,754**	**2,547**	**1,635**

Balances with banks comprise:

(a) deposit of INR 459 million (2019: INR 459 million) with a bank in suspense account (Refer Note 47).

(b) fixed deposits of INR 310 million (2019: INR 296 million) with a bank kept under escrow pending resolution of various taxation matters.

(c) Margin money against bank guarantees INR 1 million (2019: INR 2 million).

(d) There are no partially satisfied performance obligations as at the year end and thus no Contract assets are recognised.

Refer Note 32 for information about financial risk management.

7. Deferred Tax Assets (net)

	As at March 31, 2020	As at March 31, 2019
Deferred tax assets		
Allowance for doubtful receivable balances	**945**	1,658
Provisions allowed on payment basis	**1,030**	1,220
Carried forward tax losses and unabsorbed depreciation	**739**	1,424
Indexation benefit on land	**80**	94
MAT credit entitlement	**-**	220
Lease liabilities	**495**	-
Others	**3**	112
	3,292	**4,728**
Deferred tax liabilities		
Depreciation and amortisation	**1,301**	1,828
Right-of-use assets	**477**	-
	1,778	1,828
	1,514	2,900
Deferred tax assets (net)	**1,590**	**2,900**
Deferred tax liabilities (net)	**76**	**-**

Notes to the Consolidated Financial Statements for the year ended March 31, 2020 *(Continued)*

(All amounts in INR Millions unless otherwise stated)

Movement in deferred tax assets	Allowance for doubtful receivable balances	Provisions allowed on payment basis	Carried forward tax losses and unabsorbed depreciation	Indexation benefit on land	MAT credit entitlement	Depreciation and amortisation	Lease liabilities	Right-of-use assets	Others	Total
At April 1, 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**
(Charged) / Credited:										
- to profit and loss - due to Income tax rate change [Refer Note (a) below]	(419)	(338)	(114)	-	-	336	-	-	(9)	(544)
- to profit and loss	(294)	57	(571)	(14)	(220)	191	495	(477)	(100)	(933)
- to other comprehensive income	-	91	-	-	-	-	-	-	-	91
At March 31, 2020	**945**	**1,030**	**739**	**80**	**-**	**(1,301)**	**495**	**(477)**	**3**	**1,514**

Note:

(a) Impact on tax charge pursuant to Taxation Laws (Amendment) Act 2019

Pursuant to a notification of the Taxation Laws (Amendment) Act 2019, the Company and a subsidiary 'Royal Challengers Sports Private Limited' have opted to pay tax as per Section 115BAA at the income tax rate of 22% (plus applicable surcharge and cess). Consequently, during the year, the Company and the aforesaid subsidiary have recognised the impact of remeasurement of the net deferred tax assets. Accordingly, the excess net deferred tax assets carried forward from previous years of INR 544 million have been reversed in these Consolidated Financial Statements.

8. Income Tax Balances

	As at March 31, 2020	As at March 31, 2019
Income tax liabilities net of advance tax	**2,976**	4,205
Income tax assets net of provision for tax	**11,361**	9,787

Note:

(a) The above amounts include amounts paid under protest of INR 11,857 million (2019: INR 9,560 million) pertaining to various assessment years.

(b) **Disputed income tax matters relating to earlier years**

Pursuant to The Direct Tax Vivad se Vishwas Act, 2020 (the 'Scheme') which was notified on March 17, 2020, the Company has an option to settle its income tax disputes under the Income Tax Act, 1961 by payment of arrears of the disputed tax amount according to the provisions of the Scheme. During the year ended March 31, 2020, the Company has evaluated all the disputed income tax litigations and has decided to avail the Scheme in respect of certain disputed matters for which a provision of INR 408 million for tax amount and a reversal of provision of INR 904 million for accrued interest has been recorded during the year ended March 31, 2020. Further, the Company has made a provision for tax and interest in respect of certain disputed legacy matters of earlier years of INR 2,114 million during the year ended March 31, 2020. Following a favourable order received from the Appellate Authorities in respect of an earlier disputed tax matter and based on risk assessment by management, the Company has reversed the provision in respect of disputed tax and interest aggregating to INR 1,539 million during the year ended March 31, 2020.

On account of the above matters, the Company has accounted INR 897 million pertaining to tax under the heading Income tax relating to earlier years and INR 131 million under the heading Current tax for the year and an amount of INR 949 million towards reversal of accrued interest under the heading exceptional items [Refer Note 29(d)] in these Consolidated Financial Statement for the year ended March 31, 2020.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020 *(Continued)*

(All amounts in INR Millions unless otherwise stated)

9. Other Assets

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Capital advances [Refer Note (a) below]				
Considered good	**-**	**306**	-	297
Considered doubtful	**-**	**24**	-	18
Balances with government authorities [Refer Note (b) below]				
Considered good	**685**	**1,995**	231	1,843
Considered doubtful	**65**	**140**	65	153
Advances to suppliers				
Considered good	**589**	**-**	731	-
Considered doubtful	**790**	**-**	797	-
Net surplus in gratuity plan [Refer Note 39(b)C]	**-**	**385**	-	449
Pre-paid expenses	**1,293**	**1,243**	1,351	1,462
Other advances				
Considered good	**3**	**3**	12	3
	3,425	**4,096**	**3,187**	**4,225**
Less: Allowance for doubtful balances	**(855)**	**(164)**	(862)	(171)
Total other assets	**2,570**	**3,932**	**2,325**	**4,054**

Notes:

(a) Capital advances considered good includes an amount of INR 199 million (2019: 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 1,489 million (2019: INR 1,420 million)

10. Inventories

	As at March 31, 2020	As at March 31, 2019
(Valued at lower of cost and net realisable value)		
Raw materials	**1,924**	1,415
[including materials in transit INR 445 million (2019: INR 350 million)]		
Work-in-progress [Refer Note (a) below]	**6,191**	8,226
Finished goods	**7,757**	6,708
[including goods in transit INR 996 million (2019: INR 844 million)]		
Stock-in-trade	**1,332**	859
[including goods in transit INR 218 million (2019: INR 25 million)]		
Packing materials	**1,913**	2,011
[including materials in transit INR 20 million (2019: INR 112 million)]		
Stores and spares	**158**	124
Total inventories	**19,275**	**19,343**

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 428 million (2019: INR 2,784 million).

(b) Amounts recognised in the Statement of profit and loss
Allowance for obsolete inventories (net) for the year amounted to INR 438 million (2019: INR 263 million). 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.

(c) Inventories include inventory held by the tie-up manufacturing units amounting to INR 2,184 million (2019: INR 1,873 million).

(d) The Company has a cycle count programme to verify inventories between one to four times a year based on the value of inventory in each location during the year. Such cycle counts until February 2020, covering substantial inventory by value, were performed by a third party firm ("consultant") appointed by management. However, the remaining cycle counts planned in the month of March 2020 for certain locations could not be completed by the management/consultant due to COVID-19 travel restrictions and lockdown. Post the relaxation of the lockdown restrictions, the Management completed the remaining cycle counts in the months of April and May 2020. Management also performed the necessary roll back procedures to obtain comfort over existence and condition of inventories at such locations as at March 31, 2020.

(e) For details of Inventories pledged as security Refer Note 34.

Notes to the Consolidated Financial Statements for the year ended March 31, 2020 *(Continued)*

(All amounts in INR Millions unless otherwise stated)

11. Trade Receivables

	As at March 31, 2020	As at March 31, 2019
From Contract with Customers - related parties [Refer Note 37(c)(ii)]	**844**	37
From Contract with customers - others	**24,013**	28,506
	24,857	**28,543**
Less: Loss allowance	**(2,022)**	(3,118)
Total trade receivables	**22,835**	**25,425**
Details of securities/ categorisation of credit risk of trade receivables		
Trade Receivables considered good- secured	**-**	-
Trade Receivables considered good- unsecured	**24,857**	27,677
Trade Receivables which have significant increase in credit risk	**-**	-
Trade Receivables- credit impaired	**-**	866
Total	**24,857**	**28,543**
Less: Loss allowance	**(2,022)**	(3,118)
Total trade receivables	**22,835**	**25,425**

Refer Note 32 for information about financial risk management

12.1 Cash and Cash Equivalents

	As at March 31, 2020	As at March 31, 2019
Balances with banks		
In current accounts	**661**	2,025
Cheques on hand	**-**	139
Total cash and cash equivalents	**661**	**2,164**

12.2 Bank balances other than cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
In unpaid dividend accounts	**3**	7
In unpaid public deposit accounts [Refer Note (a) below]	**8**	11
Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	**63**	647
Total bank balances other than cash and cash equivalents	**74**	**665**

Notes:

a) Includes INR 3 million (2019: INR 8 million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years wherein duly discharged deposit receipts were not received from deposit holders.

b) Represents Bank deposits under lien in respect of bank gurantees provided to tax authorities.

13. Assets classified as held for sale

	As at March 31, 2020	As at March 31, 2019
Property, plant and equipment	**70**	-
Total assets classified as held for sale	**70**	**-**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

14. Equity share capital

	As at March 31, 2020	As at March 31, 2019
Authorised		
2,740,000,000 equity shares of INR 2/- each (2019: 2,740,000,000 equity shares of INR 2/- each)	**5,480**	5,480
171,200,000 preference shares of INR 10/- each (2019: 171,200,000 preference shares of INR 10/- each)	**1,712**	1,712
	7,192	**7,192**
Issued, subscribed and paid-up		
726,638,715 equity Shares of INR 2/- each (2019: 726,638,715 equity shares of INR 2/- 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, 2020	No. of Shares	As at March 31, 2019
Balance at the beginning of the year [Face value of INR 2/- each (2019: INR 10/- each)]	726,638,715	**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**	**726,638,715**	**1,453**

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of INR 2/- per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

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

Out of the equity shares issued by the Company, shares held by the holding company are as below:

	No. of Shares	As at March 31, 2020	No. of Shares	As at March 31, 2019
Relay B V (wholly owned subsidiary of Diageo Plc.) [Refer Note (j) below]	406,447,245	**813**	398,061,730	796
	406,447,245	**813**	**398,061,730**	**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, 2020		As at March 31, 2018	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B V [Refer Note (j) below]	**406,447,245**	**55.94%**	398,061,730	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, 2020		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%**	17,295,450	2.38%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

14. Equity share capital *(Continued)*

(i) During the previous 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 on 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 (the '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 (2019: 17,295,450 equity shares of INR 2/- face value) of the Company. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. For the purposes of these consolidated financial statements the investment value has been reduced from reserves and surplus (treasury shares). Also refer Note 34(b) for assets pledged and Note 47.

15. Reserves and surplus

	As at March 31, 2020	As at March 31, 2019
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	**58**	49
Foreign currency translation reserve	**184**	135
Contingency reserve	**110**	110
General reserve	**10,408**	10,408
Retained earnings	**(25,840)**	(32,159)
Total reserves and surplus	**35,827**	**29,450**

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

g) **Foreign currency translation reserve:** Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in this separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment in a foreign operation is disposed off.

h) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.

i) **General reserve:** The general reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.

j) **Retained earnings:** Retained earnings are the profits that the Group has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

16. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2020	As at March 31, 2019
Non-current **Unsecured**					
7,500 (2019: 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 loans from others [Refer Note (a) below]	Not Stipulated	Terms of repayment not stipulated	8%	**232**	214
Deferred sales tax [Refer Note (b) below]	2024-25	Repayable over a period of fourteen years in five equal installments starting from the year ended March 31, 2011	Interest free	**71**	101
Secured					
Finance lease obligations [Refer Note 41(a)]	2019 - 2022	Monthly installments	8%	**-**	239
				7,944	**8,195**
Less: Current maturities on non-current borrowings (Refer Note 17)				**7,500**	-
Less: Current maturities of finance lease obligation (Refer Note 17)				**-**	96
Less: Current maturities of Deferred Sales tax liability (Refer Note 17)				**30**	38
Less: Interest accrued but not due (Refer Note 17)				**267**	257
Total non-current borrowings				**147**	**7,804**
Current **Unsecured**					
Working capital loans from banks [Refer Note (a) below]	Payable on demand	Payable on demand	6.00% - 9.05%	**16,076**	11,965
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
Total				**16,076**	**20,894**
Less: Interest accrued but not due (Refer Note 17)				**16**	-
Total current borrowings				**16,060**	**20,894**

Notes:

a) Includes interest accrued but not due as at year end.

b) Sales tax collected under deferral scheme of State Government of Maharashtra for eleven years (from 1999-00 to 2009-10) and is repayable in five equal annual installments with final installment due in 2024-25.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

16. Borrowings *(Continued)*

Movement in debt balances

(i) Summary of total debt:

Particulars	Note	As at March 31, 2020	As at March 31, 2019
Non-current borrowings	16	**147**	7,804
Current borrowings	16	**16,060**	20,894
Other current liabilities			
Current maturities of long term borrowings	17	**7,500**	96
Deferred sales tax	17	**30**	38
Interest accrued but not due	17	**283**	257
Lease liabilities	3.2	**1,965**	-
Debt		**25,985**	**29,089**

(ii) This section sets out an analysis of debt and the movements in debt:

Particulars	Finance lease obligations	Lease liabilities	Non-convertible debentures	Commercial papers	Term loan	Deferred sales tax	Working capital loans	Total
Debt as at April 1, 2018	**70**	**-**	**7,641**	**13,373**	**3,723**	**128**	**9,660**	**34,595**
Net proceeds from/ (Repayment of) borrowings	(87)	-	-	(4,500)	(3,500)	(27)	-	(8,114)
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 26)	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**
Recognised on adoption of Ind AS 116 (see note 40)	**(239)**	**239**	**-**	**-**	**-**	**-**	**-**	**-**
Recognised on adoption of Ind AS 116 (see note 40)	**-**	1,568	**-**	**-**	**-**	**-**	**-**	**1,568**
Net debt as at 1 April 2019 (restated)	**-**	**1,807**	**7,641**	**8,929**	**214**	**101**	**11,965**	**30,657**
Acquisition - leases	-	803	-	-	-	-	-	803
Net proceeds from / (Repayment of) borrowings	-	-	-	(9,000)	-	(38)	-	(9,038)
Net proceeds from working capital loans	-	-	-	-	-	-	4,095	4,095
Interest expense (Refer Note 26)	-	162	560	471	-	8	705	1,906
Interest paid	-	(162)	(560)	(400)	-	-	(689)	(1,811)
Principal lease payments	-	(645)	-	-	-	-	-	(645)
Effect of foreign exchange restatement	-	-	-	-	18	-	-	18
Debt as at March 31, 2020	**-**	**1,965**	**7,641**	**-**	**232**	**71**	**16,076**	**25,985**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

17. Other financial liabilities

	As at March 31, 2020	As at March 31, 2019
Current maturities of		
Borrowings (Refer Note 16)	**7,500**	-
Finance lease obligation (Refer Note 16)	**-**	96
Deferred sales tax liability (Refer Note 16)	**30**	38
Interest accrued but not due (Refer Note 16)	**283**	257
Unpaid / unclaimed dividends (Refer Note (a) below)	**3**	7
Unpaid / unclaimed public deposits (Including accrued interest) (Refer Notes (a) and (b) below)	**8**	11
Others		
Security deposits	**103**	104
Liability for customer claim	**127**	127
Due to Tie-up manufacturing units	**817**	631
Capital creditors	**255**	312
Employee benefits payables	**297**	881
Others	**3**	-
Total other financial liabilities	**9,426**	**2,464**

Notes:

(a) Investor Education and Protection Fund (IEPF) credited when due. As at March 31, 2020 an amount aggregating to INR 1 million (2019: Nil) was due to be transferred to IEPF by the Company and the Company has been transferred subsequent to the year end.

(b) Includes unclaimed public deposit which had matured in earlier years of INR 3 million (2019: INR 7 million) for which the duly discharged fixed deposit receipts were not received from the deposit holders of the Company.

18. Provisions

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Employee benefits				
Provident fund obligation [Refer Note 39(b)C]	**367**	**-**	-	-
Compensated absences	**567**	**-**	149	420
Gratuity [Refer Note 39(b)C]	**1**	**12**	1	17
Pension liability [Refer Note 39(b)C]	**2**	**13**	2	14
Share appreciation rights [Refer Note 35]	**64**	**57**	78	84
Provision for indirect tax and other legal matters [Refer Note (a) below]	**3,538**	**-**	3,227	-
Total provisions	**4,539**	**82**	**3,457**	**535**

Note:

(a) Movement in provisions

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

Description	As at April 1, 2019	Additions	Amounts used/ written back	As at March 31, 2020
Indirect taxes disputes and other legal matters	3,227	684	373	**3,538**

Provision is made for probable cash outflows 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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

19. Trade Payables

	As at March 31, 2020	As at March 31, 2019
Dues to Micro and Small enterprises	**469**	278
Dues to creditors other than Micro and Small enterprises		
Dues to related parties [Refer Note 37(c)(iii)]	**1,412**	1,588
Others	**10,113**	12,217
	11,525	13,805
Total trade payables	**11,994**	**14,083**

20. Other Liabilities

	As at March 31, 2020		As at March 31, 2019	
	Current	Non-current	Current	Non-current
Contract liabilities (Advances from customers)	**1,311**	**200**	1,786	-
Statutory dues	**1,184**	**-**	2,369	-
Liability for excise duty on closing finished goods inventory (net of prepaid excise duty)	**1,681**	**-**	2,620	-
Others	**5**	**-**	-	-
Total other current liabilities	**4,181**	**200**	**6,775**	-

21. Revenue from operations

	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue from contracts with customers:		
Sale of products (including excise duty)	**284,075**	283,241
Income from brand franchise arrangements	**1,671**	1,848
Income from BCCI-IPL franchise [Refer Notes (a) and (b) below]	**2,016**	3,049
	287,762	**288,138**
Other operating revenue:		
Sales of scrap and by-products	**382**	389
Gain on settlement of liability with an overseas vendor	**-**	73
Miscellaneous	**93**	125
	475	587
Total revenue from operations	**288,237**	**288,725**

Notes:

(a) An aggregate amount of INR 5,068 million (2019: INR 6,395 million) of transaction price allocated to central rights income that are partially unsatisfied as at the year end.

(b) Management expects that the transaction price allocated to unsatisfied performance obligation under the central rights contract as of March 31, 2020 will be recognised as revenue over the next 3 seasons. Performance obligations under all other contracts are due to be satisfied within a period of 1 year.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(c) Reconciliation between contract price and revenue recognised

	For the year ended March 31, 2020	For the year ended March 31, 2019
Contract price	**297,557**	298,328
Less: Items offset against revenue from customers as required by Ind AS 115	**(9,795)**	(10,190)
Revenue from contracts with customers	**287,762**	**288,138**

(d) Disaggregation of revenue from contracts with customers:

	For the year ended March 31, 2020	For the year ended March 31, 2019
(i) Categories of products		
Prestige and above	**59,311**	59,095
Popular	**27,596**	28,815
Others	**4,907**	1,862
Add: Excise duty collected from customers	**193,932**	195,317
Total	**285,746**	**285,089**
(ii) Category of services - Income from BCCI-IPL franchise		
Central rights income	**1,201**	1,949
Income from sponsorship	**500**	734
Income from sale of tickets (net of discount)	**289**	328
Transfer fees	**22**	22
Royalty & licensing fee	**4**	16
	2,016	3,049
Total	**287,762**	**288,138**

22. Other income

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest income on fixed deposits held at amortised cost	**62**	64
Exchange gain (net)	**8**	54
Gain on disposal of property, plant and equipment (net)	**52**	366
Liabilities, provisions or allowances no longer required written back	**79**	129
Miscellaneous income	**19**	79
Total other income	**220**	**692**

23. Cost of materials consumed

	For the year ended March 31, 2020	For the year ended March 31, 2019
Raw materials	**31,444**	26,572
Packing materials	**14,954**	15,973
Total cost of materials consumed	**46,398**	**42,545**

Notes to the Consolidated Financial Statements (Continued)

(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, 2020	For the year ended March 31, 2019
Opening inventory:		
Finished goods	**6,708**	6,532
Work-in-progress	**8,226**	8,902
Stock-in-trade	**859**	505
Total opening balance (A)	**15,793**	**15,939**
Closing inventory:		
Finished goods	**7,757**	6,708
Work-in-progress	**6,191**	8,226
Stock-in-trade	**1,332**	859
Total closing balance (B)	**15,280**	**15,793**
Increase / (decrease) in excise duty on finished goods (net) (C)	**471**	511
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**984**	**657**

25. Employee benefits expense

	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries, wages and bonus	**4,487**	5,951
Contribution to provident and other funds [Refer Note 39(a)]	**148**	170
Defined benefits plans cost [Refer Note 39(b)D]	**209**	214
Share based payment expense (Refer Note 35)	**124**	197
Staff welfare expenses	**332**	366
Total Employee benefits expense	**5,300**	**6,898**

26. Finance costs

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest expense on borrowings at amortised cost (Refer Note 16)	**1,744**	2,247
Interest charges on lease liabilities	**162**	5
Interest- others	**214**	120
Total finance costs	**2,120**	**2,372**

27. Depreciation, amortisation and impairment expense

	For the year ended March 31, 2020	For the year ended March 31, 2019
Depreciation of property, plant and equipment (Refer Note 3.1)	**2,064**	2,010
Depreciation of right-of-use assets (Refer Note 3.2)	**724**	-
Amortisation of intangible assets (Refer Note 3.3)	**132**	137
Reversal of impairment on assets held for sale	**(67)**	-
Total depreciation, amortisation and impairment expense	**2,853**	**2,147**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

28. Other expenses

	For the year ended March 31, 2020	For the year ended March 31, 2019
Consumption of stores and spares	**141**	184
Operational expenses relating to BCCI-IPL franchise	**1,074**	1,503
Sub-contracting Charges	**1,238**	825
Power and fuel	**245**	249
Rent [Refer Notes 3.2 and 41(b)]	**2,608**	2,894
Repairs and maintenance:		
Buildings	**39**	132
Plant and machinery	**325**	397
Others	**349**	340
Insurance	**175**	183
Rates and taxes	**1,317**	1,680
Travel and conveyance	**495**	540
Legal and professional	**1,434**	1,357
Auditor remuneration (Refer Note below)	**58**	54
Freight outwards	**2,535**	2,505
Royalty [Refer Note 37(b)(vii)]	**97**	91
Trade mark license fees	**575**	575
Remuneration to non-executive directors of the Company:		
Sitting fee	**4**	4
Commission	**20**	20
Allowance for doubtful other assets (net)	**(16)**	181
Expense towards corporate social responsibility	**175**	123
Information technology and communication expenses	**1,081**	981
Administrative expenses	**182**	217
Distribution costs	**1,020**	1,395
Miscellaneous expenses	**149**	158
Total Other expenses	**15,320**	**16,588**
Note :		
Auditors' remuneration*		
a) as auditors		
for Statutory audit	**22**	20
for Tax audit	**0**	0
for Quarterly reviews	**10**	10
for Certifications	**7**	6
b) for other audit related services	**19**	18
c) re-imbursement of expenses	**0**	0
Total payment to auditors	**58**	**54**

* 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)

29. Exceptional items (net)

	Note	For the year ended March 31, 2020	For the year ended March 31, 2019
(a) Gain / (loss) on disposal of Investment in subsidiary	43(b)	**-**	10
(b) Impairment of Goodwill	53(c)	**(283)**	(4)
(c) Gain on sale of brands	43(b)	**-**	20
(d) Reversal of accrued interest expense relating to income tax cases of earlier years	8	**949**	-
Total exceptional items (net)		**666**	**26**

30. Reconciliation of tax expense and accounting profit multiplied by domestic tax rate in the country concerned

	For the year ended March 31, 2020	For the year ended March 31, 2019
Profits before income tax expense	**11,603**	10,117
Tax calculated at the domestic rates applicable in the country concerned	**2,151**	2,618
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
- Loss on sale of subsidiary	**-**	142
- Remeasurement of deferred tax asset due to tax rate change	**544**	(70)
- Provision for disputed taxes of earlier years	**857**	-
- Impairment on investment in subsidiaries and loss allowance on loans to subsidiaries (net of reversals)	**208**	23
- Unrecognised deferred tax assets on tax losses for the current year relating to certain subsidiaries	**839**	871
- Previously recognised deferred tax asset reversed for certain subsidiaries	**705**	-
- Reversal of provisions/ write-offs relating to certain receivables not subject to tax	**(108)**	(356)
- Deferred tax credit on indexation benefit on freehold land	**14**	(94)
- Others	**187**	147
Income tax expense as per statement of profit and loss	**5,397**	**3,281**
(a) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (Refer Note below)	**8,829**	6,451
Potential tax benefit at rates applicable in the country concerned	**2,467**	1,707

Note:

Deferred income tax assets have not been recognised on long-term and short-term capital losses aggregating to INR 1,640 million (2019: INR 1,717 million) as it is not probable that long-term and short-term capital gains would be available in the foreseeable future to offset such losses.

Deferred income tax assets have not been recognised on unused tax losses aggregating to INR 7,189 million (2019: INR 4,734 million) as it is not probable that certain subsidiaries are likely to generate taxable income in the foreseeable future.

31. Earnings per share

	March 31, 2020	March 31, 2019
Nominal value of equity shares (INR)	2/-	2/-
(a) Profits attributed to the owners of the Company	6,589	7,002
(b) Weighted average number of equity shares used as denominator	709,343,265	709,343,265
(c) Basic and diluted earnings per share (INR)	9.29	9.87

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 14(h)].

(c) Weighted average number of equity shares for the previous year has been revised considering the effect of share split. [Refer Note 14(i)]

Notes to the Consolidated Financial Statements (Continued)

Note 32: Financial Risk Management

The Group's activities exposes it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the Group manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks, trade receivables, loans and other financial assets measured at amortised cost	Review of receivables	Diversification of bank deposits, and monitoring of credit limits and assessment of recoverability of loans.
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk — interest rate	Short term borrowings at floating rates	Sensitivity analysis of interest rates	Monitoring of changes in interest rates.

The Group's financial risk management is carried out by treasury department under policies approved by the Board. Corporate treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's other functions. The Board sets written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds.

The Group does not have significant exposure to foreign currency fluctuations.

(A) Credit Risk

Credit Risk Management

Trade receivables:

Group's Credit Policy provides guidance to keep the risk of credit sales within an acceptable level. Group Management monitors (at customer group level) and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are typically unsecured and are derived from revenue earned from two main classes of customers, receivable from sales to government corporations/government owned entities and receivables from sales and services to private third parties.

Receivables from government corporations/government owned entities amounted to INR 15,442 million and 62% (2019: INR 18,448 million and 65%) and private customers amounted to INR 9,415 million and 38% (2019: INR 10,095 million and 35%) respectively of total trade receivables, respectively, on the reporting date.

The Group uses age based 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, 2020	March 31, 2019
Balance at the beginning of the year	**3,118**	2,400
Loss allowance (net)	**(145)**	850
Write-offs	**(951)**	(132)
Balance at the end of the year (Refer Note 11)	**2,022**	**3,118**

Loans and other financial assets:

'Other financial assets' includes balances with banks, receivable from Tie-up manufacturing units, loans and interest accrued on such loans.

The Group recognises allowances using expected credit loss method on Other financial assets. Such allowances are measured considering either 12-month expected credit loss approach or life time credit loss approach, based on management's assessment of credit risk. Assets are written-off where there is no reasonable expectation of recovery. Where the loans or receivables are written-off the Group continues to engage in enforcement activity to attempt to recover the amounts due. Where recoveries are made, these are recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Movement in loss allowances for the financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2020	March 31, 2019
Balance at the beginning of the year	**14,365**	14,832
Included in the Statement of Profit and Loss	**(406)**	511
Write-offs	**(65)**	(978)
Balance at the end of the year (Refer Note 5 and 6)	**13,894**	**14,365**

(B) **Liquidity Risk**

Changes in regulations, guidelines and operating models influences liquidity risk. The Group generates enough cash flow from the current operation that provides liquidity both in the short term as well as in the long term. The Group has prudent liquidity risk management to ensure maintenance of required cash and /or have access to funds through adequate unutilised sanctioned borrowing limits from banks. The Group maintains an optimal debt mix with the different categories of borrowings to meet both short-term and long-term funding requirements. Besides, the Group has planned monetisation of certain non-core assets to infuse liquidity and reduce debts and remains committed to maintaining a healthy liquidity, a low debt to equity ratio, de-lever and strengthen its balance sheet.

Financing Arrangements

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

Particulars	As at March 31, 2020	As at March 31, 2019
Floating rate Cash credit/working capital loans	**24,045**	28,613

The above facilities may be drawn at any time and such borrowings are repayable on demand.

Maturities of financial liabilities

The maturity profile of the Group's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group.

March 31, 2020

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings (Refer Note below)	16,338	-	8,059	41	-	-	24,438
Lease liabilities	226	225	411	633	671	89	2,255
Trade payables	11,994	-	-	-	-	-	11,994
Other financial liabilities	1,613	-	-	-	-	-	1,613
Total liabilities	**30,171**	**225**	**8,470**	**674**	**671**	**89**	**40,300**

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	More than 5 years	Total
Borrowings	21,080	-	559	8,123	98	-	29,860
Obligations 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**

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(C) Interest Rate Risk

The Group is exposed to interest rate risk on its loans from Banks and Commercial Papers (CPs) from Banks and others. Majority of the Group's short term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates. Interest rate risk arises due to uncertainties about the future market interest rate on these borrowings. The Group maintains an optimal debt mix and tenure to minimise the impact of interest rate risk.

The exposure of the Group's borrowings to interest rate changes at the end of reporting period are as follows:

Particulars	As at March 31, 2020	As at March 31, 2019
Floating rate borrowings	**16,060**	11,965
Fixed rate borrowings	**7,677**	16,527
Total borrowings	**23,737**	**28,492**

Note: Reasonable changes in interest rate is not expected to have a significant impact on the Group's profit/loss.

(D) Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions and balances, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and monetary assets and liabilities denominated in a currency that is not the functional currency of the Company or its Subsidiaries. The risk is measured through a forecast of highly probable foreign currency cash flows.

Foreign currency risk management

The Group's risk management policy is to assess the Group's net exposures which is mainly represented by receivable and payable towards exports and imports respectively in foreign currencies.

The Group can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, this has not been hedged.

Foreign currency risk exposure

The Group's exposure to foreign currency risk at the end of the reporting period expressed in INR millions is as follows:

Financial assets	As at March 31, 2020				
	USD	GBP	EURO	SGD	Total
Trade receivables	117	775	-	-	892
Exposure to foreign currency risk (assets)	**117**	**775**	**-**	**-**	**892**
Financial liabilities					
Trade payables	8	217	22	8	255
Exposure to foreign currency risk (liabilities)	**8**	**217**	**22**	**8**	**255**
Net Exposure	**109**	**558**	**(22)**	**(8)**	**637**

Financial assets	As at March 31, 2019				
	USD	GBP	EURO	SGD	Total
Trade receivables	198	-	-	-	198
Non-current loans	-	-	-	-	-
Exposure to foreign currency risk (assets)	**198**	**-**	**-**	**-**	**198**
Financial liabilities					
Trade payables	35	421	-	-	456
Exposure to foreign currency risk (liabilities)	**35**	**421**	**-**	**-**	**456**
Net Exposure	**163**	**(421)**	**-**	**-**	**(258)**

Note : A reasonable fluctuation in foreign exchange rates are not expected to have a material effect on the profit/loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Note 33: Capital Management

Risk Management

Group's objectives when managing capital is to:

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:
  - 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, 2020	As at March 31, 2019
Total Debt	(a)	**25,985**	29,089
Cash and cash equivalents	(b)	**661**	2,164
Net debt	(c) = (a) - (b)	**25,324**	26,925
Total equity	(d)	**36,867**	30,872
Net debt to equity ratio	**(c) /(d)**	**0.69**	**0.87**

Note 34: 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, 2020, no assets have been shown as hypothecated/mortgaged as at March 31, 2020.

(b) Further the following assets have been pledged with a bank with whom the Company is involved in a litigation (Refer Note 47)

Particulars	Notes	As at March 31, 2020	As at March 31, 2019
First charge			
Freehold land	3.1	**1,177**	1,177
Buildings	3.1	**614**	668
Leasehold land	3.2 and 3.1	**37**	38
Plant and equipment	3.1	**346**	439
Investments as a sole beneficiary in USL Benefit Trust	15	**1,197**	1,197
Total non-current Assets pledged as security		**3,371**	**3,519**

(c) Assets pledged, as disclosed under this note does not include inventory aggregating to INR 165 million (2019: INR 55 million) in custody of third party tie-up manufacturing units (TMU), which have been hypothecated by the said TMU for securing credit facilities.

Note 35: Share based payments

Diageo Plc share based plans

Diageo Plc. (Ultimate parent company) runs various equity settled share based plans such as Diageo Performance Incentive (DPI), Diageo Executive Long Term Incentive Plan (DELTIP), Performance Share Plan (PSP) and Senior Executive Share Option Plan (SESOP) for qualifying employees of the Company. Vesting under these plans is subject to conditions such as continuity of employment and achievement of certain other performance factors.

The charge for the year in respect of such plans is included in employee benefits expense amounting to INR 84 million (March 31, 2019: INR 116 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 Group.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employees' reward to the Company's share price performance. Under this plan, the Company grants stock appreciation rights (based on USL share price on the date of grant) to qualifying employees. Cash pay-out equivalent to the appreciation in the value of the Company's share will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs is determined using the Black-Scholes model using the following inputs as at each reporting date:

	As at March 31, 2020	As at March 31, 2019
Share price as at balance sheet date (remeasurement date) (INR per share)	**484.6**	553.9
Expected volatility (%)	**33.70% - 36.87%**	34.06% - 34.84%
Dividend yield (%)	**-**	-
Risk-free interest rate (%)	**5.55% – 7.78%**	7.16% - 7.78%

As at March 31, 2020 such outstanding SARs are 517,199 (March 31, 2019: 508,896). Refer below for summary of movement in provision for SAR:

Particulars	Note	Amount
Provision as at April 1, 2018		**81**
Charge for the year	25	81
Provision as at March 31, 2019	18	**162**
Charge for the year	25	40
Payout during the year		(81)
Provision as at March 31, 2020	18	**121**

Provision as at the year end classified as:

Particulars	As at March 31, 2020	As at March 31, 2019
Current	**64**	78
Non-current	**57**	84
Total	**121**	**162**

Note 36: Segment reporting

Segment Information

The Group is engaged in the business of manufacture, purchase and sale of beverage alcohol and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, the Group holds perpetual right to the Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL). The Chief Operating Decision Maker assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment.

The Group has two external customers (2019: one external customer) individually contributing to more than ten percent or more of the Group's revenues amounting to INR 129,329 million (2019: INR 96,683 million).

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, 2020			March 31, 2019		
	India	Outside India	Total	India	Outside India	Total
Revenue from contracts with customers	**284,154**	**3,608**	**287,762**	287,072	1,066	288,138
Non-current assets	**39,810**	**-**	**39,810**	38,451	-	38,451

Notes to the Consolidated Financial Statements (Continued)

Note 37: 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 BV)
- Relay BV (Holding Company)

(ii) Fellow subsidiaries (with whom transactions have taken place during the year or in the previous year)

- Diageo Scotland Limited
- Diageo Brands BV
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Plc
- Diageo Ireland Ltd.
- Diageo Business Services India Private Limited
- UDV Kenya Ltd.
- Diref - Industria De Bebidas Lda.
- Guinness Ghana Breweries Ltd.
- Diageo Singapore Pte
- Diageo India Private Limited

(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

(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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(b) Summary of the transactions with related parties

	Name of the related party	Relationship	For the year ended March 31, 2020	For the year ended March 31, 2019
(i)	**Investments in equity**			
	Hip Bar Private Limited (Refer Note 4)	Associate	-	270
	Total – Investments in equity		**-**	**270**
(ii)	**Sale of products (including excise duty) to**			
	Guinness Nigeria Plc.	Fellow subsidiary	11	-
	Guinness Ghana Breweries Ltd.	Fellow subsidiary	1	-
	Diref - Industria De Bebidas Lda.	Fellow subsidiary	3	-
	UDV Kenya Ltd.	Fellow subsidiary	8	-
	Diageo Scotland Limited (Refer Note 49)	Fellow subsidiary	2,483	-
	Total – Sale of products		**2,506**	**-**
(iii)	**Royalty and brand franchise income**			
	Guinness Nigeria Plc.	Fellow subsidiary	12	31
	Total – Royalty and brand franchise income		**12**	**31**
(iv)	**Reimbursement of expenses from**			
	Diageo Plc.	Parent	117	-
	Diageo India Private Limited	Fellow subsidiary	1	-
	Diageo Great Britain Limited	Fellow subsidiary	77	89
	Diageo Brands BV	Fellow subsidiary	0	9
	Diageo Ireland Ltd.	Fellow subsidiary	2	11
	Diageo North America Inc.	Fellow subsidiary	41	-
	Diageo Singapore Pte	Fellow subsidiary	5	-
	Diageo Scotland Limited	Fellow subsidiary	169	8
	Total – Reimbursement of expenses received		**412**	**117**
(v)	**Purchase of stock-in-trade from**			
	Diageo Brands BV	Fellow subsidiary	1,962	1,871
	Diageo Scotland Limited	Fellow subsidiary	3	-
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	3	-
	Total – Purchase of stock-in-trade		**1,968**	**1,871**
(vi)	**Purchase of raw materials from**			
	Diageo Brands BV	Fellow subsidiary	1,013	931
	Total – Purchase of materials		**1,013**	**931**
(vii)	**Royalty expense**			
	Diageo North America Inc.	Fellow subsidiary	97	91
	Total – Royalty expense (Refer Note 28)		**97**	**91**
(viii)	**Professional charges**			
	Diageo Business Service India Private Limited	Fellow subsidiary	196	232
	Total – Professional charges		**196**	**232**
(ix)	**Cross Charge towards share based payments**			
	Diageo Plc.	Parent	-	2
	Diageo Great Britain Limited	Fellow subsidiary	75	65
	Total – Cross charge		**75**	**67**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	Name of the related party	Relationship	For the year ended March 31, 2020	For the year ended March 31, 2019
(x)	**Information Technology expenses**			
	Diageo Great Britain Limited	Fellow subsidiary	148	58
	Diageo North America Inc.	Fellow subsidiary	15	0
	Diageo Business Service India Private Limited	Fellow subsidiary	26	0
	Total – Information technology expenses		**189**	**58**
(xi)	**Reimbursement of expenses paid to**			
	Diageo Great Britain Limited	Fellow subsidiary	56	42
	Diageo Scotland Limited	Fellow subsidiary	4	6
	Diageo Brands BV	Fellow subsidiary	5	1
	Total – reimbursement of expenses paid		**65**	**49**
(xii)	**Contribution to employee benefit plans**			
	McDowell & Company Limited Employees Provident Fund	Employee benefits plan	145	141
	United Spirits Superannuation Fund	Employee benefits plan	49	55
	Pioneer Distilleries Employees' Gratuity Trust	Employee benefits plan	11	14
	Total – Contribution to employee benefit plans		**205**	**210**

(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, 2020	As at March 31, 2019
(i)	**Other receivables from**			
	Diageo Ireland Limited	Fellow subsidiary	-	2
	Diageo Scotland Limited	Fellow subsidiary	12	-
	Diageo India Private Limited	Fellow subsidiary	1	-
	Total – Other receivables (Refer Note 6)		**13**	**2**
(ii)	**Trade receivables from**			
	Diageo Scotland Limited	Fellow subsidiary	775	-
	Diref - Industria De Bebidas Lda	Fellow subsidiary	1	-
	UDV Kenya Ltd.	Fellow subsidiary	8	0
	Guinness Nigeria Plc.	Fellow subsidiary	60	37
	Total – Trade receivables (Refer Note 11)		**844**	**37**
(iii)	**Trade payables to**			
	Diageo Brands BV	Fellow subsidiary	1,103	1,341
	Diageo Great Britain Limited	Fellow subsidiary	190	113
	Diageo North America Inc.	Fellow subsidiary	50	44
	Diageo Scotland Limited	Fellow subsidiary	-	1
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	4	1
	Diageo Business Service India Private Limited	Fellow subsidiary	65	88
	Total – Trade payables to related parties (Refer Note 19)		**1,412**	**1,588**
(iv)	**Minimum offtake commitment for purchase of bulk scotch**			
	Diageo Scotland Limited	Fellow subsidiary	1,308	1,900

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(d) Key management personnel and compensation

Executive Directors	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Anand Kripalu	Sanjeev Churiwala	Anand Kripalu	Sanjeev Churiwala
Remuneration (*)	**139**	**43**	158	58
Employee share-based payments (**)	**95**	**30**	38	-
Total compensation	**234**	**73**	**196**	**58**

(*) As the employee benefits obligations such as gratuity, compensated absences and bonuses are provided for the Company as a whole, the amounts pertaining to individual Key Management Personnel are not included above on an accrual basis. Such amounts are included on payment basis.

(**) Based on options exercised.

Non-executive/Independent Directors	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	**0.9**	**4.7**	0.8	4.7
Dr. Indu Shahani	**1.0**	**4.0**	0.9	4.0
Rajeev Gupta	**0.7**	**3.5**	0.6	3.5
D Sivanandhan	**0.9**	**3.9**	0.9	3.9
V K Viswanathan	**0.9**	**3.9**	0.8	3.9
Total	**4.4**	**20.0**	**4.0**	**20.0**

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

(e) General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

Note 38: Offsetting of financial assets and financial liabilities

The Group gives volume based incentives and 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, 2020	For the year ended March 31, 2019
Trade receivables (gross)	**25,146**	28,963
Less: Volume based incentives and rebates payable	**(289)**	(420)
Trade receivables as reported (Refer Note 11)	**24,857**	**28,543**

Note 39(a): Defined contribution plans

Provident Fund:

Provident Fund covers substantially all permanent workmen. Both the eligible employees and the Group make monthly contributions to the Provident Fund as per regulations to a fund administered by government authority, equal to a specified percentage of the employees' salary. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

Employee Pension Scheme:

Employee Pension Scheme covers all employees (i.e., permanent workmen and executive staff) of the Group. A portion of the Group's contribution in respect of government administered Provident Fund and Group administered Provident Fund Plan is made to the government administered Employee Pension Scheme, as per regulations. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Employees' State Insurance:

Employees' State Insurance is a state plan which is applicable to those employees of the Group whose salaries do not exceed a specified amount. The contributions are made based on a percentage of salary to a fund administered by government authority. The obligation of the Group is limited to the extent of contributions made on a monthly basis.

Superannuation Fund:

Certain executive staff of the Company participate in United Spirits Superannuation Fund (the 'Fund'), which is a voluntary contribution plan. The Company has no further obligations to the plan beyond its monthly contributions to the Fund, the corpus of which is administered by 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 to a Fund administered by a pension fund manager appointed by Pension Fund Regulatory and Development Authority.

During the year, the Group has recognised the following amounts in the Statement of Profit and Loss, which are included in contribution to provident and other funds under the employee benefits expense in Note 25.

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Provident Fund*	**37**	40
Employees' Pension Scheme	**47**	55
Superannuation Fund	**49**	55
Employees' State Insurance	**6**	11
National Pension Scheme	**9**	9
Total (Refer Note 25)	**148**	**170**

* Excludes contributions to Provident Fund Trust which are in the nature of defined benefit plans managed by the Group.

Note 39(b): Defined benefit plans

Gratuity:

The Group provides for gratuity, a defined benefit plan (the "Gratuity Plan"), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment or upon resignation from service, of an amount based on the respective employee's last drawn salary and years of employment with the Group. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The funds are managed by a trust administered by the Group.

Pension plan:

The Group operates an unfunded defined benefit pension plan for certain retired employees of an erstwhile entity which has merged into the Group in earlier years. This plan provides benefits to members in the form of a guaranteed level of pension payable for life post retirement or termination of employment. The level of benefits provided depends on their salary in the final year leading up to retirement or termination.

Provident Fund:

Executive staff and certain permanent workmen receive benefits from the provident fund plan, which is a defined benefit plan. Both the employees and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. A portion of Company's contribution is transferred to Employee Pension Scheme, which is a defined contribution plan and the remaining amount is transferred to provident fund plan. The Provident Fund contributions are made to McDowell & Company Limited Employees Provident Fund Trust set up and managed by the Company. The Trust invests in specific designated instruments as permitted by Indian law. The Company has an obligation to make good the shortfall if any, being the difference between the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation. The actuarial risk and investment risk fall, in substance, on the Company.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Gratuity and Provident Fund

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

	For the year ended March 31, 2020				For the year ended March 31, 2019			
	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	1,205	3,009	2	16	1,273	2,930	3	18
Current service cost	108	139	0	0	113	141	1	-
Interest cost	82	259	0	1	88	219	0	1
Benefit payments from plan assets	(152)	(438)	-	-	(252)	(470)	0	-
Transfer in/(out)	-	73	-	-	(4)	61	-	-
Employee contributions	-	195	-	-	-	192	-	-
Benefit payments by the Group	-	0	(1)	(3)	(2)	-	(2)	(2)
Actuarial (gain)/loss from changes in demographic assumptions	24	0	(0)	0	30	-	-	-
Actuarial (gain)/loss-changes in financial assumptions	60	(19)	1	1	6	35	(0)	0
Actuarial (gain)/loss – experience adjustments	(17)	87	(1)	0	(47)	(99)	(0)	(1)
Obligation at the end of the year	**1,310**	**3,305**	**1**	**15**	**1,205**	**3,009**	**2**	**16**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Funded)	Provident Fund (Funded)
Plan assets at the beginning of the year	1,638	3,032	1,759	2,974
Employee contributions	-	195	-	192
Transfer in/(out)	-	67	-	61
Contribution by the group	-	145	-	141
Return on plan assets	121	259	130	219
Actuarial gains/(losses)*	75	(322)	1	(85)
Benefits paid	(152)	(438)	(252)	(470)
Plan assets at the end of the year	**1,682**	**2,938**	**1,638**	**3,032**

* During the year ended March 31, 2020, the Company has recognized an impairment charge of INR 275 million (net of tax of INR 92 million), in Other Comprehensive Income, arising from impairment in the fair value of certain investments held by the Company administered Provident Fund trust.

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, 2020				As at March 31, 2019			
	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)
Present value of obligation	1,310	3,306	1	15	1,205	3,009	2	16
Fair value of plan assets	1,682	2,939	-	-	1,638	3,032	-	-
Asset ceiling	-	-	-	-	-	23	-	-
Liability/(asset) recognised in Balance Sheet (Refer Notes 9 and 18)	**(372)***	**367**	**1**	**15**	**(433)***	**-**	**2**	**16**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	As at March 31, 2020				As at March 31, 2019			
	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)
Current	1	367	1	2	-	-	1	2
Non-current	(373)	-	-	13	(433)	-	1	14

* Comprises net Liability of INR 13 million (2019: INR 16 million) pertaining to subsidiaries and net asset of INR 385 million (2019: INR 449 million) pertaining to USL.

Liability/(net assets) disclosed in the consolidated financial statements is as follows:

		As at March 31, 2020			As at March 31, 2019		
Description	Note	Gratuity	Pension	Provident Fund	Gratuity	Pension	Provident Fund
Non-current provision	18	12	13	-	17	14	-
Current provision	18	1	2	367	1	2	-
Non-current assets	9	(385)	-	-	(449)	-	-
Liability /(net asset) recognised in Balance Sheet		**(372)**	**15**	**367**	**(431)**	**16**	**-**

D. Expenses recognised in the Statement of Profit and Loss:

	For the year ended March 31, 2020					For the year ended March 31, 2019				
	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total
Current service cost	108	139	0	0	**247**	113	141	1	-	**255**
Net interest cost										
a. Interest expense on DBO	82	259	0	1	**342**	88	219	0	1	**308**
b. Interest (income) on plan assets	(121)	(259)	-	-	**(380)**	(130)	(219)	-	-	**(349)**
Total net interest cost (a-b)	(38)	-	-	1	**(37)**	(42)	-	0	1	**(41)**
Defined benefit cost (Refer Note 25)	**69**	**139**	**0**	**1**	**209**	**71**	**141**	**1**	**1**	**214**

E. Re-measurement effects recognised in Other Comprehensive Income (OCI):

Description	For the year ended March 31, 2020					For the year ended March 31, 2019				
	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	24	-	(0)	0	**24**	30	-	-	-	**30**
b. Actuarial (gain)/loss due to financial assumptions changes in DBO	60	(19)	1	1	**43**	6	35	(0)	0	**41**
c. Actuarial (gain)/loss due to experience on DBO	(17)	87	(1)	0	**69**	(47)	(99)	(0)	(1)	**(147)**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Description	For the year ended March 31, 2020					For the year ended March 31, 2019				
	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total
d. Return on plan assets (greater)/less than discount rate	(75)	322	-	-	**247**	(1)	85	-	-	**84**
e. Movement in asset ceiling (gain)/loss	-	(23)	-	-	**(23)**	0	(21)	-	-	**(21)**
Total actuarial (gain)/loss included in OCI	**(8)**	**367**	**0**	**1**	**360**	**(12)**	**-**	**(0)**	**(1)**	**(13)**

F. Total cost recognised in Comprehensive Income:

Particulars	For the year ended March 31, 2020					For the year ended March 31, 2019				
	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident Fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total
Expense recognised in Statement Profit and Loss (Refer Note 24)	69	139	0	1	**209**	71	141	1	1	**214**
Remeasurements effects recognised in OCI	(8)	367	0	1	**360**	(12)	-	-	(1)	**(13)**
Total cost recognised in Comprehensive Income	**61**	**506**	**0**	**2**	**569**	**59**	**141**	**1**	**-**	**201**

G. Investment details of plan assets:

Description	As at March 31, 2020		As at March 31, 2019	
	Gratuity	Provident Fund	Gratuity	Provident Fund
Government securities	**-**	**61%**	-	48%
Private sector bonds	**-**	**10%**	-	17%
Public sector /financial institutional bonds	**-**	**12%**	-	22%
Special deposit scheme	**-**	**4%**	-	5%
Insurance products	**100%**	**2%**	99%	-
Others (including bank balances)	**0%**	**11%**	1%	8%
Total	**100%**	**100%**	**100%**	**100%**

H. Assumptions:

	As at March 31, 2020			As at March 31, 2019		
	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident Fund (Funded)	Pension (Unfunded)
Discount rate (per annum)	5.58%- 6.78%	6.55%	6.58%	7.15%- 7.30%	7.24%	7.30%
Rate of increase in compensation levels	10%	10%	NA	10%	10%	NA
Attrition rate	5% - 11%	5% - 11%	NA	5% - 13%	5% - 13%	NA
Mortality rates	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table

*IALM: Indian Assured Lives Mortality

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Note 39(c): Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is provided below:

Gratuity:

	Changes in assumptions		(Decrease)/Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Discount rate	**1%**	1%	**(105)**	(95)	**121**	107
Rate of increase in Compensation levels	**1%**	1%	**116**	104	**(104)**	(94)

Provident Fund:

	Changes in assumptions		(Decrease)/Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Discount rate	**1%**	1%	**(118)**	(73)	**192**	134
Compensation levels	**1%**	1%	**178**	127	**(116)**	(72)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Note 39(d): Risk exposure:

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

Asset Volatility	The plan liabilities are calculated using a discount rate set with reference to yields of government securities; if plan assets underperform this yield, this will create a deficit. Plan asset investments for provident fund are made in government securities, private sector bonds and public sector/financial institution bonds. Plan asset investments for gratuity are made in pre-defined insurance plans. These are subject to risk of default and interest rate risk. The fund manages credit risk/interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in Bond Yields	A decrease in yields of government securities will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation Risk	In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life Expectancy	The pension and other plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets consists of government and public sector bonds, although the Group also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

Note 39(e): Effect of the defined benefit plan on the entity's future cash flows

The Group does not expect to contribute any amounts into the gratuity plan assets during the year ending March 31, 2021, considering the net surplus portion as at March 31, 2020. The Group is expected to contribute INR 153 million (2019: INR 148 million) to Provident fund during the year ending March 31, 2021.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

The weighted average duration of the defined benefit obligation is 8.36 years (2019: 7.95 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2020	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	150	127	414	1,526	**2,217**
Provident fund	345	377	1,355	3,242	**5,319**
Total	**495**	**504**	**1,769**	**4,768**	**7,536**

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**

Note:
The estimates of future increase in compensation levels, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Note 40: Adoption of Ind AS 116 on Leases

This note explains the impact of adoption of Ind AS 116, Leases on the Group's financial statements.

As indicated in Note 3.2, the group has adopted Ind AS 116 prospectively from 1 April 2019. The new accounting policies are disclosed in note 1.5.

On adoption of Ind AS 116, the group has recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of Ind AS 17, Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of April 01, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on April 01, 2019 was 8.50%.

(a) Practical expedients applied

In applying Ind AS 116, the group has used the following practical expedients permitted by the standard

- accounting for operating leases with a remaining lease term of less than 12 months as at April 01, 2019 as short term leases, and
- the Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying Ind AS 17 and Appendix C to Ind AS 17, determining whether the arrangement contains lease.

(b) Measurement of lease liabilities

Particulars	Amount
Operating Lease commitments disclosed as at March 31, 2019	280
Add: Impact of re-assessment of lease term under Ind AS 116	1,467
(Less): Discounted using the incremental borrowing rate at the date of initial application	(173)
Add: Finance lease liabilities recognised as at March 31, 2019	239
(Less): Short term leases not recognised as a liability	(4)
(Less): Low value leases not recognised as a liability	(2)
Lease liability recognised as at April 01, 2019	**1,807**
Of which are:	
Current Lease Liabilities	656
Non-Current Lease Liabilities	1,151
	1,807

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a prospective basis.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(d) Adjustments recognised in the balance sheet on April 01, 2019

The change in adoption of Ind AS 116 affected the following items in the balance sheet on April 01, 2019:

- Right-of-use assets – increase by INR 1,898 million
- Lease Liabilities – increase by INR 1,807 million

Note 41: Leases (Till March 31, 2019)

From April 01, 2019, the company has recognised right-of-use assets for these leases, except for short term and low value leases, see note 3.2 and 40.

(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 as at March 31, 2019 are as follows:

	As at March 31, 2019	
	Present value of payments	Minimum lease payments
Not later than one year	96	99
Later than one year and not later than five years	143	155
Later than five years	-	-
	239	254
Less: Finance charges		15
Total (Refer Note 16)	**-**	**239**

(b) Operating leases:

The Group'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 ranging between 11 months and 3 years. These arrangements are usually renewable on mutually agreeable terms.

Rental expense relating to operating leases:

Particulars	For the year ended March 31, 2019
Minimum lease payments	430
Contingent rent	2,464
Total rental expense relating to operating lease (Refer Note 28)	**2,894**

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 till March 31, 2019.

Particulars	As at March 31, 2019
Within one year	172
Later than one year and not later than five years	108
Later than five years	-
Total	**280**

Notes to the Consolidated Financial Statements (Continued)

Note 42: Additional Inquiry

As disclosed in the consolidated financial statements for the years ended March 31, 2017, March 31, 2018 and March 31, 2019 upon completion of an Inquiry into past improper transactions which was completed in April 2015 ('Initial Inquiry') and which identified references to certain additional parties and certain additional matters, the MD & CEO of the Company, pursuant to the direction of the Board of Directors of the Company, 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.

Note 43: Subsidiary rationalisation

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

The completion of the above sale as well as liquidations and mergers by the Group 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 with applicable laws, if established.

(b) On January 16, 2019, the Company completed the sale of its entire equity and preference capital in 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 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 gain on disposal of subsidiary of INR 10 million and gain on sale of brands of INR 20 million for the group which had been disclosed as exceptional items in the previous year. [Refer Note 29(a) and (c)].

(c) As stated in the Accounting policy Note 1.1, 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 (vii) Asian Opportunities and Investments Limited (viii) Montrose International S.A. and (ix) United Spirits (Shanghai) Trading Company Limited have been prepared and consolidated on a liquidation basis (i.e. "break up" basis). 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, 2020. Such re-measurement did not have any material impact on the consolidated financial statements.

Note 44: Loan to United Breweries (Holdings) Limited ('UBHL')

As disclosed in the consolidated financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, the Company had pre-existing loans/deposits/advances/accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to INR 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374 million, and for the accrued interest of INR 846 million up to March 31, 2014. The Company has not recognised interest income on said loan after March 31, 2014 which cumulatively amounts to INR 7,519 million up to March 31, 2020. The Company has offset payable to UBHL under the trademark agreement amounting to INR 327 million (2019: INR 327 million) for the year, and consequently, the corresponding provision for loan has been reversed to other expenses. The cumulative offset up to March 31, 2020 amounted to INR 1,684 million.

Notes to the Consolidated Financial Statements (Continued)

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.

Note 45: Excess managerial remuneration pertaining to earlier year

As disclosed in the consolidated financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, the managerial remuneration for the financial year ended March 31, 2015 aggregating INR 153 million to the former Executive Director and Chief Financial Officer ('ED & CFO') of the Company, was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 134 million. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration which was not approved, and the Company had sought Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO of the Company and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO of the Company.

Note 46: 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 consolidated financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019 from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;

b) as disclosed in the consolidated financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019 from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. The Company is awaiting a response from the Registrar to the aforesaid applications. The management is of the view that the financial impact arising out of compounding/adjudication of these matters will not be material to the Group's financial statements;

c) as disclosed in the consolidated financial statements for the years ended March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and

d) as disclosed in the consolidated financial statements for the year ended March 31, 2017, March 31, 2018 and March 31, 2019, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (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 has duly responded to.

Note 47: Dispute with a bank

As disclosed in the consolidated financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017, March 31, 2018 and March 31, 2019, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from IDBI Bank Limited (the "bank") in earlier years which was secured by certain property, plant and equipment and brands of the Company as well as by a pledge

Notes to the Consolidated Financial Statements (Continued)

of certain shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280 million, including prepayment penalty of INR 40 million, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment, following which the Company filed a writ petition ("WP") in November 2013 before the Hon'ble High Court of Karnataka challenging the actions of the bank.

In February 2016, following the original maturity date of the loan, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459 million on account of outstanding principal, accrued interest and other amounts as also further interest till the date of settlement. This notice was challenged by the Company by way of a separate application filed in the pending writ proceedings. The Hon'ble High Court of Karnataka, by an order passed in the said application, directed that, subject to the Company depositing INR 459 million with the bank in a suspense account, the bank should not deal with any of the secured assets including the shares until disposal of the writ petition. The Company deposited the full amount, and the bank was restrained from dealing with any of the secured assets.

In June 2019, a single judge bench of the Hon'ble High Court of Karnataka issued an order dismissing the writ petition filed by the Company, amongst other reasons, on the basis that the matter involved an issue of breach of contract by the Company and was therefore not maintainable in exercise of the court's writ jurisdiction. The Company disputed the Order and filed an appeal against this order before a division bench of the Hon'ble High Court of Karnataka. During the quarter ended September 30, 2019, the division bench of the Hon'ble High Court of Karnataka reinstated the interim order in the writ petition, thereby granting a stay on the disposal of the secured assets of the Company by the bank. On January 13, 2020, the division bench of the Hon'ble High Court of Karnataka admitted the writ appeal and extended the interim stay. Based on management assessment supported by external legal opinions, the Company continues to believe that it has a strong case on merits and therefore continues to believe that the aforesaid amount of INR 459 million remains recoverable from the bank.

In a separate proceeding before the Debt Recovery Tribunal (DRT), Bengaluru, initiated by a consortium of banks (including the bank) for recovery of the loans advanced by the bank to Kingfisher Airlines Limited (KAL), the bank filed an application for attachment of the pledged shares belonging to USL Benefit Trust. DRT dismissed the said application of the bank. During the quarter ended September 30, 2017, the bank filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, following an appeal by the Company, DRAT has issued an Order impleading the Company in the proceedings. The bank's appeal is pending for final hearing by DRAT.

Note 48: Difference in yield of certain non-potable intermediates and associated process losses

As disclosed by the Company in its published financial results for the quarter ended December 31, 2018, and in the consolidated financial statement for the year ended March 31, 2019 , the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (The "Authorities") as per the records being maintained in certain plants (the Affected Plants).

With prior information to and engagement with the Authorities, the Company also engaged independent third party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants, and shared these reports with the Authorities. Based on the understanding/discussion with such Authorities and advice received from external legal counsels, the Company has discharged/provided the amounts of financial obligation (which were determined to be not material to the consolidated financial statements).

The Company had re-evaluated the existing controls and processes in this area and strengthened the same before the year ended March 31, 2019. Under the direction of the board of directors, the management had engaged an independent law firm to conduct a review of past practices in this area and during the quarter ended June 30, 2019, has taken appropriate action, where a violation of the company's code of business conduct had occurred.

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

Note 49: Sale of Bulk Scotch

Revenue from operations and Profit before Tax for the year ended March 31, 2020 includes INR 2,483 million and INR 984 million, respectively, arising from the sale of bulk scotch held by the Company's branch outside India, to Diageo Scotland Limited, a fellow subsidiary of the Group.

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(All amounts in INR Millions unless otherwise stated)

During the year ended March 31, 2020, the Company has sold certain bulk scotch, over which an overseas vendor has exercised lien in earlier periods. Revenue from operations and Profit before Tax for the year ended March 31, 2020 includes INR 229 million and INR 93 million, respectively, from sale of such bulk scotch held by the Company's branch outside India, to the said overseas vendor.

Note 50: Capital and other commitments

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Capital commitments for property, plant and equipment	**1,006**	1,127
(b) Other commitments: i. relating to advertisement, sales promotion and trade mark fee	**789**	773
ii. towards minimum offtake commitment for purchase of bulk scotch from a related party	**1,308**	1,900
iii. relating to BCCI-IPL franchise	**65**	816

Note 51: Contingent Liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Income tax matters	**7,170**	7,305
(b) Indirect tax matters		
(i) State excise	**2,033**	1,995
(ii) Central excise	**2**	2
(iii) Service tax	**448**	350
(iv) Sales tax and entry tax	**3,423**	3,509
(c) Other civil litigations and claims	**1,864**	1,555

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 has evaluated the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances in the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact on the Group and accordingly, no provision has been made in the consolidated financial statements.

(e) The below matters are considered as contingent liabilities in Pioneer Distillers Limited (PDL), a subsidiary, however the amounts in respect thereof are not determinable.

(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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

The Group may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. In such cases, appropriate disclosure is provided but no provision is made and no contingent liability is quantified.

(g) Management is optimistic of a favourable outcome in the above matters based on legal opinions/management assessment. It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

Note 52: Research expenses

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Salaries and wages	**68**	52
Contribution to provident fund and other funds	**4**	5
Staff welfare expenses	**2**	1
Rent	**7**	6
Miscellaneous expenses	**26**	30
Total Research expenses	**107**	**94**

Note 53: 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, 2020	March 31, 2019		
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 43(b)]	-	100	India	Manufacture and sale of wines
Tern Distilleries Private Limited	100	100	India	Dormant
Sovereign Distilleries Limited	100	100	India	Dormant
United Spirits Singapore Pte Ltd	100	100	Singapore	Dormant
McDowell & Co. (Scotland) Limited	100	100	Scotland, U.K.	Dormant
Asian Opportunities and Investments Limited	100	100	Mauritius	Dormant
Palmer Investment Group Limited	100	100	British Virgin Islands	Dormant
Shaw Wallace Overseas Limited	100	100	U.K.	Dormant
UB Sports Management Overseas Limited	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 shares of the Company

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(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 2020	% of ownership interest 2019	Country of incorporation	Principal business activity
Wine Society of India Private Limited (upto January 16, 2019) – [Refer Note 43(b)]	-	33	India	Promotion of wine business in India
HIP Bar Private Limited [effective June 25, 2018 (Refer Note 4)]	26	26	India	Operates a web based alcohol distribution mobile application under the brand name HIPBAR

(c) Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. 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	Total
Carrying amount of Goodwill as at April 1, 2019	**13**	**480**	**493**
Net assets of the subsidiary	186	203	**389**
Total	**199**	**683**	**882**
Recoverable amount	199	400	**599**
Shortfall/(Surplus) over carrying value	-	283	**283**
Impairment allowance for the year [Refer Note 29(b)]	**-**	**(283)**	**(283)**
Carrying amount of goodwill as at March 31, 2020	**13**	**197**	**210**

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)**	**1004**
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 29(b)]	-	(4)	-	(4)
Carrying amount of goodwill as at March 31, 2019	**13**	**480**	-	**493**

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)

(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, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Non-current assets	**-**	-	**3,286**	4,234
Current assets	**8**	7	**1,142**	1,531
Total assets	**8**	**7**	**4,428**	**5,765**
Non-current liabilities	**(181)**	(167)	**(2,380)**	(2,295)
Current liabilities	**(139)**	(127)	**(3,953)**	(3,886)
Total liabilities	**(320)**	**(294)**	**(6,333)**	**(6,181)**
Net assets	**(312)**	**(287)**	**(1,905)**	**(416)**
Accumulated non-controlling interest (NCI)	**(22)**	**(21)**	**(391)**	**(10)**

Summarised Statement of Profit and Loss:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Revenue	**-**	-	**1,746**	1,428
Profit/(loss) for the year	**(1)**	(0)	**(1,492)**	(671)
Other comprehensive income	**-**	-	**3**	(1)
Total comprehensive income	**(1)**	(0)	**(1,489)**	(672)
Total comprehensive income allocated to NCI	**(1)**	-	**(381)**	(167)

Summarised Statement of cash flows:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	For the year ended March 31, 2020	For the year ended March 31, 2019	For the year ended March 31, 2020	For the year ended March 31, 2019
Cash flows from operating activities	**0**	0	**293**	(909)
Cash flows from investing activities	**0**	0	**(50)**	(114)
Cash flows from financing activities	**0**	0	**(239)**	1,024
Net increase/(decrease) in cash and cash equivalents	**0**	0	**4**	1

There were no transactions with non-controlling interests in the year ended March 31, 2020 and March 31, 2019

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(e) Share of profit and assets of subsidiaries /associate

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
Parent Company								
United Spirits Limited	86.4%	31,853	148.0%	9,185	102.4%	(225)	149.7%	8,960
Overseas Subsidiaries								
Liquidity Inc.	(0.6)%	(229)	(0.0)%	(1)	-	-	(0.0)%	(1)
United Spirits (Shanghai) Trading Company Limited	0.0%	1	(0.0)%	(0)	-	-	(0.0)%	(0)
United Spirits Singapore Pte Ltd	0.0%	11	0.0%	1	-	-	0.0%	1
Montrose International S.A.	0.3%	93	(0.0)%	(0)	-	-	(0.0)%	(0)
Asian Opportunities and Investments Limited	0.0%	9	(0.0)%	(3)	-	-	(0.0)%	(3)
McDowell & Co. (Scotland) Limited	0.5%	186	1.0%	60	-	-	1.0%	60
Shaw Wallace Overseas Limited	0.1%	18	(0.0)%	(1)	-	-	(0.0)%	(1)
United Spirits (Great Britain) Limited	0.0%	7	(0.0)%	(1)	-	-	(0.0)%	(1)
United Spirits (UK) Limited	0.0%	2	(0.0)%	(1)	-	-	(0.0)%	(1)
USL Holdings Limited	0.1%	42	0.0%	1	-	-	0.0%	1
USL Holdings (UK) Limited	0.0%	3	(0.0)%	(1)	-	-	(0.0)%	(1)
Palmer Investment Group Limited	0.0%	0	(0.0)%	(1)	-	-	(0.0)%	(1)
UB Sports Management Overseas Limited	(0.0)%	(1)	(0.0)%	(2)	-	-	(0.0)%	(2)
Sub-Total		**142**		**51**		**-**		**51**
Indian Subsidiaries/ controlled trust								
Pioneer Distilleries Limited	3.2%	1,162	(44.5)%	(2,754)	(1.4)%	3	(46.0)%	(2,751)
Royal Challengers Sports Private Limited	10.0%	3,692	4.3%	270	(0.5)%	1	4.5%	271
Tern Distilleries Private Limited	0.5%	187	(0.9)%	(55)	0.0%	(0)	(0.9)%	(55)
Sovereign Distilleries Limited	0.6%	203	(1.2)%	(75)	0.0%	(0)	(1.3)%	(75)
USL Benefit Trust	0.1%	41	(0.0)%	(0)	-	-	(0.0)%	(0)
Sub-Total		**5,285**		**(2,614)**		**4**		**(2,610)**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the entity	Net assets, i.e., total assets minus total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
Minority Interest in subsidiaries								
Liquidity Inc.	(0.1)%	(22)	(0.0)%	(1)	-	-	(0.0)%	(1)
Pioneer Distilleries Limited	(1.1)%	(391)	(6.2)%	(382)	(0.5)%	1	(6.4)%	(381)
Sub-Total		**(413)**		**(383)**		**1**		**(382)**
Associates								
Hip Bar Private Limited	-	-	(0.5)%	(33)	-	-	(0.6)%	(33)
Total	**100%**	**36,867**	**100%**	**6,206**	**100%**	**(220)**	**100%**	**5,986**

Note: Net assets given above exclude inter-company balances and treasury shares. Share in profit or loss, other comprehensive income and total comprehensive income exclude inter-company transactions.

Note 54(a): Letter of financial support to Pioneer Distilleries Limited (PDL)

The networth of PDL has eroded and the current liabilities exceed the current assets as at the year-end. However, the Management and the Board of Directors of PDL have reviewed the cash flow forecast for the next twelve months and based on the letter of financial support obtained from United Spirits Limited, the holding company, have concluded that there is no material uncertainty on the ability of PDL to continue as a going concern.

Note 54(b): Proposed merger of Pioneer Distilleries Limited with United Spirits Limited

The Board of Directors (“Board”) of PDL and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the “Scheme”) in relation to the proposed merger of PDL with the Company under Sections 230 – 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. Upon completion of the merger, the non-promoter shareholders of PDL will receive 10 equity shares of the Company (face value of INR 2 each) for every 47 equity shares of PDL (face value of INR 10 each), held by them as on the record date. Post the merger, the Company’s issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the company, a subsidiary of Diageo plc) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities including Securities and Exchange Board of India, National Stock Exchange of India Limited, BSE Limited, the National Company Law Tribunal, and the respective shareholders and creditors of PDL and of the Company.

Note 55: Impact of COVID-19

In view of the nationwide lockdown due to the outbreak of COVID-19 pandemic, the Group’s operations at all of its manufacturing, warehousing and office locations were temporarily stopped from March 25, 2020. Operations have since resumed in a staggered manner beginning May 2020 with adequate precautions being taken in accordance with Government guidelines, and a majority of the Group’s manufacturing locations are operational as at the date of approval of these consolidated financial statements. Management is taking appropriate action, as necessary, to scale up manufacturing operations in due compliance with the applicable laws. As at the date of approval of these consolidated financial statements, sales have also resumed in a staggered manner across the country, with sale of beverage alcohol being permitted in most states.

With respect to the subsidiary, Royal Challengers Sports Private Limited, BCCI had initially announced the start of IPL Season 13 from March 29, 2020. Due to the ongoing pandemic and announcement of lockdown by the Government of India, BCCI suspended IPL Season 13 until further notice. BCCI has also announced that it will continue to monitor and review the situation regarding a potential start date in close partnership with all of its stakeholders and will continue to take guidance from the Government of India, State Governments and other State Regulatory bodies.

Notes to the Consolidated Financial Statements (Continued)

The Group has a prudent liquidity risk management policy for maintenance of required cash and/or has access to funds through adequate unutilised sanctioned borrowing limits from banks and is confident of servicing its debt obligations as they fall due. Other than the impairment recorded on goodwill of a subsidiary, no material impact on the carrying amounts of current and non-current assets (including financial assets) is expected. The Group has assessed its existing controls and internal financial reporting processes and made appropriate changes, as required, in view of the situation arising due to COVID-19 pandemic. Group has also reviewed its contracts/arrangements and does not expect any material impact on account of non-fulfilment of the obligations by any party.

Management has considered various internal and external information available up to the date of approval of these consolidated financial statements in assessing the impact of COVID-19 pandemic in the consolidated financial statements for the year ended March 31, 2020 and will continue to monitor changes in future economic conditions. The eventual outcome of the impact of COVID-19 may be different from that estimated as on the date of approval of these consolidated financial statements.

Note 56: Long term contracts, including derivative contracts

The Group does not have any derivative contracts as at March 31, 2020. The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is necessary based on the review of such contracts as at year end.

Note 57:

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 27, 2020

For and on behalf of the Board of Directors

Mahendra Kumar Sharma
Chairman
DIN : 05178019

Place : Mumbai

Anand Kripalu
Managing Director & Chief Executive Officer
DIN : 00118324

V. K. Viswanathan
Director
DIN : 01782934

Sanjeev Churiwala
Executive Director & Chief Financial Officer
DIN : 00489556

V. Ramachandran
Executive Vice President &
Company Secretary

Place : Bengaluru
Date : May 27, 2020

Notes

Corporate information

Vice President & Company Secretary
Mital Sanghvi

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