

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

27th July 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: Intimation of unaudited financial results for the quarter ended June 30, 2020

The Board of Directors of the Company at their meeting held today, *inter-alia* approved the unaudited standalone and consolidated financial results of the Company for the quarter ended June 30, 2020. ("UFR"). The Limited Review Reports ("LRR") thereon, received from the statutory auditors of the Company (on the standalone and consolidated financial results) were placed at the said meeting. UFR along with the LRR are enclosed and are being uploaded on to your websites along with this letter.

The Board meeting commenced at 2:45 p.m. IST and concluded at 5:17 p.m. IST.

This is for your information & records.

Thank you,

For United Spirits Limited

MITAL
ARVIND
SANGHVI

Digitally signed by
MITAL ARVIND
SANGHVI
Date: 2020.07.27
17:21:28 +05'30'

Mital Sanghvi
Company Secretary

Encl: as above



UNITED SPIRITS LIMITED

A DIAGEO Group Company

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

Tel +91 80 3985 6500, 2221 0705 | CIN: L01551KA1999PLC024991 | www.diageoindia.com

Unaudited Standalone Statement of Financial Results for the quarter ended June 30, 2020

(INR in Millions except for earnings per share data)

Particulars	3 months ended June 30, 2020	3 months ended March 31, 2020	3 months ended June 30, 2019	Previous year ended March 31, 2020
	Unaudited	Refer note 8	Unaudited	Audited
1 Income				
(a) Revenue from operations	38,190	64,223	70,778	285,892
(b) Other income	95	41	101	455
Total income	38,285	64,264	70,879	286,347
2 Expenses:				
(a) Cost of materials consumed	6,243	11,357	10,072	46,239
(b) Purchase of stock-in-trade	508	409	727	2,907
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(740)	(236)	888	1,074
(d) Excise duty	27,888	44,285	48,594	194,983
(e) Employee benefits expense	1,203	1,106	1,381	5,143
(f) Finance costs	499	480	520	1,907
(g) Depreciation and amortisation expense	638	678	500	2,275
(h) Others:				
(i) Advertisement and sales promotion	518	1,200	1,708	7,153
(ii) Loss allowance on trade receivables and other financial assets (net)	656	(164)	(44)	(503)
(iii) Other expenses	2,690	3,552	3,501	13,835
Total expenses	40,103	62,667	67,847	275,013
3 Profit / (loss) before exceptional items and tax (1 - 2)	(1,818)	1,597	3,032	11,334
4 Exceptional items, net (Refer Note 5)	(750)	13	-	13
5 Profit / (loss) before tax (3 + 4)	(2,568)	1,610	3,032	11,347
6 Income tax expense				
(a) Current tax	-	372	1,171	3,063
(b) Current tax relating to earlier years	-	857	-	857
(c) Deferred tax charge / (credit)	(415)	142	(113)	380
Total tax expense	(415)	1,371	1,058	4,300
7 Profit / (loss) for the period (5 - 6)	(2,153)	239	1,974	7,047
8 Other Comprehensive Income				
A. Items that will be reclassified to profit or loss	-	-	-	-
B. Items that will not be reclassified to profit or loss				
(i) Remeasurements of post-employment benefit plans	-	1	(359)	(366)
(ii) Income tax credit / (charge) relating to above	-	-	125	92
Total other comprehensive income, net of income tax	-	1	(234)	(274)
9 Total Comprehensive Income (7 + 8)	(2,153)	240	1,740	6,773
10 Paid up Equity Share Capital (Face value of INR 2/- each)	1,453	1,453	1,453	1,453
11 Other Equity				36,644
12 Earnings/ (loss) per share of INR 2/- each:				
Basic and Diluted (in INR)	(2.96)	0.33	2.72	9.70

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Unaudited Consolidated Statement of Financial Results for the quarter ended June 30, 2020

(INR in Millions except for earnings per share data)

	3 months ended June 30, 2020	3 months ended March 31, 2020	3 months ended June 30, 2019	Previous year ended March 31, 2020
	Unaudited	Refer note 8	Unaudited	Audited
1 Income				
(a) Revenue from operations	38,207	64,190	72,925	288,237
(b) Other income	52	79	37	220
Total income	38,259	64,269	72,962	288,457
2 Expenses:				
(a) Cost of materials consumed	6,180	11,381	10,106	46,398
(b) Purchase of stock-in-trade	508	409	727	2,907
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(702)	(326)	918	984
(d) Excise duty	27,888	44,285	48,594	194,983
(e) Employee benefits expense	1,240	1,094	1,419	5,300
(f) Finance costs	555	529	581	2,120
(g) Depreciation, amortisation and impairment expense	739	851	630	2,853
(h) Others:				
(i) Advertisement and sales promotion	525	1,195	1,715	7,173
(ii) Loss allowance on trade receivables and other financial assets (net)	656	(112)	(44)	(551)
(iii) Other expenses	2,831	3,784	4,585	15,320
Total expenses	40,420	63,090	69,231	277,487
3 Profit / (loss) before share of net profit / (loss) in associates, exceptional items and tax (1-2)	(2,161)	1,179	3,731	10,970
4 Share of net profit / (loss) in associates	(4)	(10)	(6)	(33)
5 Profit / (loss) before exceptional items and tax (3+4)	(2,165)	1,169	3,725	10,937
6 Exceptional items, net (Refer Note 5)	(750)	666	-	666
7 Profit / (loss) before tax (5 + 6)	(2,915)	1,835	3,725	11,603
8 Income tax expense				
(a) Current tax	-	372	1,355	3,063
(b) Current tax relating to earlier years	-	857	-	857
(c) Deferred tax charge / (credit)	(449)	9	737	1,373
(d) MAT credit written-off / (entitlement)	-	104	(184)	104
Total tax expense	(449)	1,342	1,908	5,397
9 Profit / (loss) for the period (7-8)	(2,466)	493	1,817	6,206
10 Other Comprehensive Income				
A. Items that will be reclassified to profit or loss				
(i) Exchange differences on translation of foreign operations	(2)	7	(32)	49
B. Items that will not be reclassified to profit or loss				
(i) Remeasurements of post-employment benefit plans	-	8	(359)	(360)
(ii) Income tax credit / (charge) relating to above	-	(1)	125	91
Total other comprehensive income, net of income tax	(2)	14	(266)	(220)
11 Total Comprehensive Income (9+10)	(2,468)	507	1,551	5,986
12 Paid up Equity Share Capital (Face value of INR 2/- each)	1,453	1,453	1,453	1,453
13 Other Equity and Non controlling interest				35,414
14(a) Profit/ (loss) attributable to:				
Owners	(2,415)	584	2,021	6,589
Non-controlling interest	(51)	(91)	(204)	(383)
	(2,466)	493	1,817	6,206
14(b) Other comprehensive income attributable to:				
Owners	(2)	13	(266)	(221)
Non-controlling interest	-	1	(0)	1
	(2)	14	(266)	(220)
14(c) Total comprehensive income attributable to: [14(a) + 14(b)]				
Owners	(2,417)	597	1,755	6,368
Non controlling Interest	(51)	(90)	(204)	(382)
	(2,468)	507	1,551	5,986
15 Earnings/ (loss) per share of INR 2/- each: [Refer Note below]				
Basic and Diluted (in INR)	(3.40)	0.82	2.85	9.29

Note:

In calculating the weighted outstanding equity shares during all the periods presented under Consolidated Statement of results, Company has reduced its own shares held by USL Benefit Trust (of which the Company is the sole beneficiary).

United Spirits Limited

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter ended June 30, 2020

1. United Spirits Limited ('the Company' or 'the Holding Company') is engaged in the business of manufacture, purchase and sale of beverage alcohol and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, Royal Challengers Sports Private Limited, a subsidiary of the Company, holds the right to the Royal Challengers Bangalore (RCB) cricket franchise of the Indian Premier League (IPL).

The Chief Operating Decision Maker of the Company assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment.

2. The consolidated results include the following subsidiaries and a trust controlled by the Company ('the Group'):

Indian subsidiaries:

- Pioneer Distilleries Limited
- Royal Challengers Sports Private Limited
- Sovereign Distilleries Limited
- Tern Distilleries Private Limited

Overseas subsidiaries:

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

Trust controlled by the Company:

- USL Benefit Trust

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

- Hip Bar Private Limited

3. These Standalone and Consolidated Statements of Financial Results have been prepared in accordance with the applicable Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 (the "Act") [Companies (Indian Accounting Standards) Rules, 2015 (as amended)] and other accounting principles generally accepted in India.

United Spirits Limited

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter ended June 30, 2020 – Contd.

4. Historical Matters

(a) Additional Inquiry

As disclosed in each of the annual financial statements commencing from year ended March 31, 2017, 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. The Additional Inquiry prima facie identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's former non-executive chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior periods. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions.

(b) Subsidiaries Rationalisation

- i. As disclosed in each of the annual financial statements commencing from 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 Asian Opportunities and Investments Limited, 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 regulatory approvals 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 Company is in receipt of an order on July 22, 2020 from the Jersey Financial Service Commission, Company Registry, with respect to the merger of UB Sports Management Overseas Limited with Palmer Investments Group Limited. Consequently, UB Sports Management Overseas Limited stands merged with Palmer Investment Group Limited with effect from July 15, 2020.

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.

United Spirits Limited

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter ended June 30, 2020 – Contd.

- ii. Consequent to the above, the financial results of the following subsidiaries have been prepared and consolidated on a liquidation basis (i.e. “break up” basis) (i) USL Holdings Limited, (ii) USL Holdings (UK) Limited, (iii) United Spirits (UK) Limited, (iv) United Spirits (Great Britain) Limited, (v) McDowell & Co. (Scotland) Limited, (vi) Shaw Wallace Overseas Limited (vii) Montrose International SA (viii) United Spirits (Shanghai) Trading Company Limited and (ix) Asian Opportunities and Investments Limited. Accordingly, assets and liabilities of such subsidiaries have been recognised as current at their fair values that approximate to their carrying values as at June 30, 2020. Such re-measurement did not have any material impact on the consolidated financial results.

(c) Loan to United Breweries (Holdings) Limited (‘UBHL’)

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, 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 7,822 million up to June 30, 2020. The Company has offset payable to UBHL under the trademark agreement amounting to INR 81 million for the quarter ended June 30, 2020. 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 June 30, 2020 amounted to INR 1,765 million.

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

(d) Excess managerial remuneration

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, 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 Act, 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.

United Spirits Limited

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter ended June 30, 2020 – Contd.

(e) Regulatory notices and communications

The Company has previously received letters and notices from various regulatory and other government authorities as follows:

- i. as disclosed in each of the annual financial statements commencing from year ended March 31, 2016, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;
- ii. as disclosed in each of the annual financial statements commencing from year ended March 31, 2016, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. The Company is awaiting a response from the Registrar to the aforesaid applications. The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material to the Company's results;
- iii. as disclosed in each of the annual financial statements commencing from year ended March 31, 2016, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and
- iv. as disclosed in each of the annual financial statements commencing from year ended March 31, 2017, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (A) remittances made in prior years by the Company to its overseas subsidiaries; (B) past acquisition of the Whyte and Mackay group; (C) non-submission/ clarifications on Annual Performance Reports ('APR') for prior years; and (D) compliances relating to the Company's overseas Branch office, all of which the Company has duly responded to.

(f) Dispute with IDBI Bank Limited

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, 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.

United Spirits Limited

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter ended June 30, 2020 – Contd.

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 application by the Company, DRAT has issued an Order impleading the Company in the proceedings. The bank's appeal is pending for final hearing by DRAT.

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

As disclosed in each of the annual financial statements commencing from year ended March 31, 2019, the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (the 'Authorities') as per the records being maintained in certain plants (the 'Affected Plants').

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

United Spirits Limited

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter ended June 30, 2020 – Contd.

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

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

5. Exceptional item - Commitment towards "Raising the Bar" programme

As per the announcement to the stock exchanges dated June 24, 2020, the Company as part of Diageo group's COVID-19 ("Raising the Bar") programme, has committed to spend INR 750 million over a period of two years from July 1, 2020, in order to support the post Covid-19 revival and recovery of pubs, bars and restaurants serving alcohol.

Raising the Bar aims to provide non-cash support to qualifying pubs, bars and restaurants serving alcohol in Mumbai, Delhi, Bengaluru and other select cities through the Diageo Bar Academy. The programme includes providing hygiene kits, a range of personal protection equipment (such as masks, gloves, hand sanitizers), digital support and training to help these outlets effectively maintain social distancing and enhanced hygiene standards while deploying confidence building measures for consumers to safely visit and socialize. The amount of INR 750 million has been accounted as exceptional item in the Standalone and Consolidated Statement of Financial Results for the quarter ended June 30, 2020.

6. 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.

7. Impact of Covid-19

The outbreak of Covid-19 pandemic continues to spread across India and given its unpredictable and evolving nature, though all of the Group's manufacturing locations became operational from May 2020, temporary disruptions have occurred in some locations and units from time to time during the pendency of a lockdown in that location. Management continues to implement appropriate action, as necessary, to scale up manufacturing operations in due compliance with the applicable laws. Although off-trade sales have resumed in a staggered manner across the country with the sale of beverage alcohol being permitted in most states, on-trade sales across outlets like bars, restaurants etc are not permitted as yet, as per the Guidelines of the Government of India.

United Spirits Limited

Notes to the Unaudited Standalone and Consolidated Statements of Financial Results for the quarter ended June 30, 2020 – Contd.

With respect to the Company's 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. The governing council of the IPL and the BCCI have now announced that IPL Season 13 is likely to commence in September 2020 at the UAE, subject to Government approval.

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. Based on the management's assessment, 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 financial results in assessing the impact of Covid-19 pandemic in the standalone and consolidated financial results for the quarter ended June 30, 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 financial results.

8. Figures for the quarters ended March 31, 2020, are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures up to the third quarter of the financial year, as adjusted for certain regroupings/ reclassifications, where considered necessary.
9. The comparative figures for the previous periods presented have been regrouped/ reclassified where considered necessary, to conform with the current period's presentation for the purpose of comparability.
10. The Statement of Standalone and Consolidated Financial Results for the quarter ended June 30, 2020, have been reviewed by the Audit and Risk Management Committee of the Company and approved by the Board of Directors of the Company at their meetings held on July 27, 2020.

**PRADIP M
KANAKIA** Digitally signed by
PRADIP M KANAKIA
Date: 2020.07.27
15:55:57 +05'30'

Place: Bengaluru
Date: July 27, 2020

By authority of the Board

**ANAND
THIRUMALACHAR
KRIPALU** Digitally signed by ANAND
THIRUMALACHAR KRIPALU
Date: 2020.07.27 15:27:04
+05'30'

Anand Kripalu
Managing Director and Chief Executive Officer

Price Waterhouse & Co Chartered Accountants LLP

Review Report

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

1. We have reviewed the unaudited consolidated financial results of United Spirits Limited (the “Holding Company”), its subsidiaries and a trust controlled by it, (together referred to as the “Group”), and its associate company (refer Note 2 to the Consolidated Statement) for the quarter ended June 30, 2020 which are included in the accompanying ‘Unaudited Consolidated Statement of Financial Results for the quarter ended June 30, 2020’ together with the notes thereon (hereinafter referred to as the “Consolidated Statement”). The Consolidated Statement is being submitted by the Holding Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “Listing Regulations, 2015”), which has been initialed by us for identification purposes.
2. This Consolidated Statement, which is the responsibility of the Holding Company’s Management and has been approved by the Holding Company’s Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 “Interim Financial Reporting” (“Ind AS 34”), prescribed under Section 133 of the Companies Act, 2013 (the “Act”) read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Consolidated Statement based on our review.
3. We conducted our review of the Consolidated Statement in accordance with the Standard on Review Engagements (SRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Consolidated Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the Listing Regulations, 2015, to the extent applicable.

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Price Waterhouse & Co Chartered Accountants LLP

To the Board of Directors of United Spirits Limited
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5. The Consolidated Statement includes the results of the following entities:

Indian subsidiaries:

- Pioneer Distilleries Limited
- Royal Challengers Sports Private Limited
- Sovereign Distilleries Limited
- Tern Distilleries Private Limited

Overseas subsidiaries:

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

Trust controlled by the Holding Company:

- USL Benefit Trust

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

- Hip Bar Private Limited

6. Based on our review conducted and procedures performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Consolidated Statement has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in the Ind AS 34 prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

7. We draw your attention to the following matters:

- a) Note 7 to the Consolidated Statement 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

Price Waterhouse & Co Chartered Accountants LLP

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estimated due to the uncertainties involved. Additionally, with respect to Royal Challengers Sports Private Limited, a 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 4(a) to the Consolidated Statement, upon completion of the Initial Inquiry which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Holding Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Holding Company's erstwhile nonexecutive 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 4(b)(i) to the Consolidated Statement, the Group has commenced the rationalisation process for divestment/ liquidation/ merger of certain overseas subsidiaries including step down subsidiaries. The completion of the above process is subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Holding Company, if any, arising out of potential historical non-compliances with applicable laws, if established.
- d) As explained in Note 4(b)(ii) to the Consolidated Statement, consequent to the rationalisation process initiated by the Group in respect of certain overseas subsidiaries including step down subsidiaries, the financial results of such subsidiaries included in the accompanying Consolidated Statement have been prepared on a 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 June 30, 2020.
- e) As explained in Note 4(d) to the Consolidated Statement, the Managerial remuneration for the year ended March 31, 2015 included an amount paid in excess of the limit prescribed under the provisions of Schedule V to the 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 4(e) to the Consolidated Statement, which describes the various regulatory notices and communications received from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') and the Holding Company's authorised dealer banks ('AD') to which the Holding Company has responded to.
- g) Note 4(f) to the Consolidated Statement, which describes the uncertainty relating to the final outcome of litigations 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"). Based on management assessment supported by external legal

Price Waterhouse & Co Chartered Accountants LLP

To the Board of Directors of United Spirits Limited
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opinions, the Holding Company has disclosed the aforesaid amount of INR 459 million under Other Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. 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 4(g) to the Consolidated Statement, the Holding Company during the year ended March 31, 2019 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.
8. The consolidated unaudited financial results include the financial results of 13 overseas subsidiaries and a trust controlled by the Group which have not been reviewed by their auditors, whose financial information reflect Nil revenue, total net (loss) after tax of INR (4) million and total comprehensive income of INR (4) million for the quarter ended June 30, 2020. The consolidated unaudited financial results also include the Group's share of net (loss) after tax of INR (4) million and total comprehensive income of INR (4) million for the quarter ended June 30, 2020 in respect of one associate company based on their financial information which have not been reviewed by their auditors. These financial results have been furnished to us by the Management of the Holding Company and our conclusion on the Consolidated Statement, insofar as it relates to the amounts and disclosures included in respect of the aforesaid overseas subsidiaries, trust and associate, is based solely on such unaudited financial information. According to the information and explanations given to us by the Management, the financial information of the aforesaid overseas subsidiaries, trust and associate are not material to the Group.

Our conclusion is not modified in respect of the matters described in paragraphs 7 and 8 above.

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

PRADIP M KANAKIA Digitally signed by PRADIP M KANAKIA
Date: 2020.07.27 15:58:22 +05'30'

Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 20039985AAAAACN2097

Place: Bengaluru
Date: July 27, 2020

Price Waterhouse & Co Chartered Accountants LLP

Review Report

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

1. We have reviewed the unaudited standalone financial results of United Spirits Limited (the “Company”) for the quarter ended June 30, 2020 which are included in the accompanying ‘Unaudited Standalone Statement of Financial Results for the quarter ended June 30, 2020’ together with the notes thereon (hereinafter referred to as the “Standalone Statement”). The Standalone Statement has been prepared by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “Listing Regulations, 2015”), which has been initialed by us for identification purposes.
2. This Standalone Statement, which is the responsibility of the Company’s Management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 “Interim Financial Reporting” (“Ind AS 34”), prescribed under Section 133 of the Companies Act, 2013 (the “Act”) read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Standalone Statement based on our review.
3. We conducted our review of the Standalone Statement in accordance with the Standard on Review Engagements (SRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Standalone Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the Standalone Statement has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in Ind AS 34 prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

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To the Board of Directors of United Spirits Limited
Report on the Standalone Financial Results
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5. We draw your attention to the following matters:
- a) Note 7 to the Standalone Statement 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 4(a) to the Standalone Statement, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Company and/or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Company, if any, arising from potential non-compliances with applicable laws in respect of the above.
 - c) As explained in Note 4(b)(i) to the Standalone Statement, the Company has commenced the rationalisation process for divestment/ liquidation/ merger of certain overseas subsidiaries including step down subsidiaries. The completion of the above process is subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential historical non-compliances with applicable laws, if established.
 - d) As explained in Note 4(d) to the Standalone Statement, the Managerial remuneration for the year ended March 31, 2015 included an amount paid in excess of the limit prescribed under the provisions of Schedule V to the 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 4(e) to the Standalone Statement, which describes the various regulatory notices and communications received from Securities Exchange Board of India ('SEBI'), Ministry of Corporate Affairs ('MCA')/ Registrar of Companies, Karnataka (the 'Registrar'), Directorate of Enforcement ('ED') and Company's authorised dealer banks ('AD') to which the Company has responded to.
 - f) Note 4(f) to the Standalone Statement, which describes the uncertainty relating to the final outcome of litigations 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"). Based on management assessment supported by external legal opinions, the

Price Waterhouse & Co Chartered Accountants LLP

To the Board of Directors of United Spirits Limited
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Company has disclosed the aforesaid amount of INR 459 million under Other Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. 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 4(g) to the Standalone Statement, the Company during the year ended March 31, 2019, came across information suggesting continuing past practices resulting in differences in reporting to the relevant Regulatory Authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process. Related actions taken and monitoring of future development by the Company in this respect have been described in the said note.

Our conclusion is not modified in respect of the matters described in paragraph 5 above.

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

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Pradip Kanakia
Partner
Membership Number: 039985
UDIN: 200399AAAACM1484

Place: Bengaluru
Date: July 27, 2020