



# UNITED SPIRITS LIMITED

(Corporate Identity Number: L01551KA1999PLC024991)

Registered Office: "UB Tower", #24, Vittal Mallya Road, Bangalore 560001, India

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## NOTICE

Notice is hereby given that an Extraordinary General Meeting of the Equity Shareholders of United Spirits Limited ("**Company**") will be held on Friday, January 09, 2015 at 3.30 p.m. at 'The Senate', The Capitol, No. 3, Raj Bhavan Road, Bangalore 560 001 to transact the following item of business by passing the following special resolution.

### SPECIAL BUSINESS

#### Entering into distribution agreement, licence for manufacture and sale agreements and cost sharing agreement with certain subsidiaries of Diageo plc ("**Diageo**"):

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

**RESOLVED THAT** in compliance with the applicable provisions of the Companies Act, 2013 and the rules framed thereunder (including but not limited to section 188 and the rules made thereunder), the equity listing agreement entered into by the Company with each of BSE Limited, the National Stock Exchange of India Limited and Bangalore Stock Exchange Limited, and applicable circulars and regulations issued by the Securities and Exchange Board of India (including circulars No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 and No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014), and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company ("**Board**") and subject to the provisions of the Memorandum and Articles of Association of the Company, the approval of the shareholders, by way of a special resolution, be and is hereby accorded to the entering into the following agreements by the Company:-

- i. the licence for manufacture and sale agreement with Diageo Brands B.V. for the manufacture and distribution of Bottled in India (bulk) products under licence from Diageo Brands B.V. in India;
- ii. the licence for manufacture and sale agreement with Diageo North America, Inc. and Diageo Scotland Limited for the manufacture and distribution of Bottled in India (manufactured in India) products under licence from Diageo North America, Inc. and Diageo Scotland Limited, respectively in India;
- iii. the distribution agreement with, inter alia, Diageo Brands B.V., Diageo North America, Inc. and Diageo Scotland Limited for the distribution of bottled in origin products (manufactured by or on behalf of the relevant Diageo brand owner company) in India;
- iv. the cost sharing agreement with Diageo India Private Limited with respect to the proportionate sharing by the Company and Diageo India Private Limited of the expenses incurred during the transition period on advertising, marketing and promotion activities for alcoholic beverages owned by various Diageo subsidiaries, in India; and
- v. such other and further documents in connection with the aforesaid arrangements, each in such form and on such terms as may be finalized and approved by the Board.

**RESOLVED FURTHER THAT** the Board is hereby authorised to do, perform, or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, including negotiating, finalising, varying and/or settling the terms and conditions of the aforesaid agreements and to complete all such formalities as may be required in this regard and do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

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

By Order of the Board  
For **United Spirits Limited**

Place : Bangalore  
Date : December 12, 2014

**V.S. Venkataraman**  
Company Secretary

**Notes:**

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

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

The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for the holding of the Extraordinary General Meeting ("**Meeting**").

2. Body corporate and foreign institutional investor equity shareholder(s) would be required to deposit certified copies of Board/ Custodial resolutions/Power of Attorney in original, as the case may be, authorizing the individuals named therein, to attend and vote at the Meeting on its behalf.
3. Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, in respect of Special Business, as set out above is annexed hereto and forms part of this Notice.
4. Members are requested to:
  - (a) bring their copy of Notice to the Meeting;
  - (b) bring their Attendance Slip sent herewith, duly filled in;
  - (c) bring their Folio Number / DP and Client ID; and
  - (d) avoid being accompanied by non-members and children.

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

5. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the Meeting.
6. MEMBERS MAY KINDLY NOTE THAT NO GIFTS SHALL BE DISTRIBUTED AT THE MEETING.
7. The Company has designated an exclusive email Id viz., [uslinvestor@unitedspirits.in](mailto:uslinvestor@unitedspirits.in) to enable the investors to post their grievances and monitor its redressal.
8. Drafts of the documents referred to in this notice and explanatory statement are open for inspection at the Registered Office of the Company on all working days of the Company (except Saturdays and Sundays) between 11.00 a.m. and 4.00 p.m. up to **January 8, 2015**.
9. In compliance with the provisions of Clause 35B of the Listing Agreement and Section 108 of the Companies Act, 2013 read with 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 Meeting by electronic means and the business may be transacted through Electronic Voting (e-voting) services provided by National Securities Depository Limited ("**NSDL**").
10. The instructions for e-voting are as under:
  - (i) In the case of shareholders receiving an email from NSDL:
    - (a) Open the email and the attached PDF file titled "USL E-voting.pdf" with your Client ID or Folio No. as password. The pdf file contains your user ID and password for e-voting. Please note that the password is an initial password.
    - (b) Launch an internet browser and type the following URL: <https://www.evoting.nsdl.com>.
    - (c) Click on "Shareholder" – "Login".

- (d) Type in your user ID and initial password as mentioned in Step (a) above.
  - (e) Click Login.
  - (f) When the password change menu appears, change your password to a phrase of your choice with a minimum of digits/characters or a combination thereof. Note the new password. It is strongly recommended that you do not share your password with any other person and take care to keep your password confidential.
  - (g) The home page of “e-Voting” should open thereafter. Click on “e-Voting”:- Active Voting Cycles.
  - (h) Select “EVEN” of United Spirits Limited.
  - (i) Now you are ready for “e-Voting” as “Cast Vote” page opens.
  - (j) Cast your vote by selecting the appropriate option and click on “Submit” and also “Confirm” when prompted.
  - (k) Upon confirmation, the message “Vote cast successfully” will be displayed”.
  - (l) Once you have voted on the resolution, you will not be allowed to modify your vote.
  - (m) Institutional shareholders (i.e. other than individuals, HUF, NRI etc) are also required to send a scanned copy (PDF/JPG format) of the relevant board resolution/authority letter etc. together with an attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by an e-mail to sudhir.compsec@gmail.com with a copy marked to evoting@nsdl.co.in.
- (ii) In the case of shareholders other than those referred to in paragraph 10 (i) above, your initial password is provided at the bottom of the Attendance Slip for the Meeting: EVEN (e-Voting Event Number) USER ID and PASSWORD.. Please follow all steps from paragraph (b) to (m) above to cast your vote; and
- (iii) If you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote.
11. In case of any queries, you may refer to the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available at the downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
  12. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot Password” option available on the site to reset the password.
  13. If you are already registered with NSDL for e-voting then you can use your existing user ID and password for casting your vote.
  14. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
  15. The e-voting period commences on **January 3, 2015** (9:00 a.m.) and ends on **January 5, 2015** (6:00 p.m.). During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of **December 5, 2014**, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter.
  16. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of **December 5, 2014**.
  17. Mr. Sudhir V Hulyalkar, Company Secretary in Whole Time Practice (CP - 6137; Address: 16/8, Ground Floor, 2nd Cross, Gupta Layout, South End Road (Near South End Circle), Basavangudi, Bangalore 560 004) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
  18. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
  19. The Results shall be declared on or after the date of the Meeting. The Results declared along with the Scrutinizer’s Report shall be placed on the Company’s website - [www.unitedspirits.in](http://www.unitedspirits.in) and on the website of NSDL within two (2) days of passing of the resolutions at the Meeting and communicated to the Stock Exchanges.

## EXPLANATORY STATEMENT AS REQUIRED BY SECTION 102 OF THE COMPANIES ACT, 2013

### Material facts relating to entering into the proposed agreements

Approval of the shareholders by way of a special resolution is being sought for the following agreements that the Company is proposing to enter into: (i) the licence for manufacture and sale agreement with Diageo Brands B.V. for the manufacture and distribution of Bottled in India (bulk) products under licence from Diageo Brands B.V. in India; (ii) the licence for manufacture and sale agreement with Diageo North America, Inc. and Diageo Scotland Limited for the manufacture and distribution of Bottled in India (manufactured in India) products under licence from Diageo North America, Inc. and Diageo Scotland Limited, respectively in India; (iii) the distribution agreement with, inter alia, Diageo Brands B.V., Diageo North America, Inc. and Diageo Scotland Limited for the distribution of Bottled in Origin products (manufactured by or on behalf of the relevant Diageo brand owner company) in India; (collectively, the “**Licence and Distribution Agreements**”) and (iv) the cost sharing agreement with Diageo India Private Limited (“**DIPL**”) with respect to the proportionate sharing by the Company and DIPL of the expenses incurred during the transition period on advertising, marketing and promotion activities for alcoholic beverages owned by various Diageo group companies, in India (collectively with the Licence and Distribution Agreements, the “**Agreements**”). The management of the Company has estimated the potential financial and commercial benefits that are likely to accrue in the first full year of operations on the Company as well as on the reported results of the Company as a result of entering into the Licence and Distribution Agreements. Further details of these indicative financial and commercial benefits in the first full year of operations under the Licence and Distribution Agreements are set out below in this explanatory statement for the benefit of the shareholders. As explained below, during the first full year of operations under the Licence and Distribution Agreements, the Company’s estimated revenues under the Licence and Distribution Agreements are likely to be approximately INR 700,00,00,000 (Indian Rupees Seven Hundred Crores) as opposed to INR 42,00,00,000 (Indian Rupees Forty Two Crores) under the existing sales promotion services agreement. In addition, the Company’s estimated EBIT under the Licence and Distribution Agreements is likely to be approximately INR 70,00,00,000 (Indian Rupees Seventy Crores) as opposed to approximately INR 16,00,00,000 (Indian Rupees Sixteen Crores) under the existing sales promotion services agreement.

In terms of the applicable provisions of the Companies Act, 2013 (including but not limited to section 188 and the rules made thereunder) and the rules framed thereunder, certain transactions with related parties require the prior approval of the shareholders of the Company by way of a special resolution, provided that such requirement does not apply to any transactions entered into by the Company in its ordinary course of business and on an arm’s length basis. However, under the equity listing agreement entered into by the Company with each of BSE Limited, the National Stock Exchange of India Limited and Bangalore Stock Exchange Limited (the “**Listing Agreement**”) and applicable circulars and regulations issued by the Securities and Exchange Board of India (“**SEBI**”), any material related party transaction, i.e. a transaction to be entered into which individually or together with previous transactions in a given financial year with a related party exceeds 10% of the annual consolidated turnover as per the last audited financial statements of the Company, requires the approval of the shareholders of the Company by way of a special resolution.

As each of the Company and the counterparties to each of the Agreements described above are ultimate subsidiaries of Diageo plc, they are considered to be related parties under the Companies Act, 2013 as well as under the revised clause 49 of the Listing Agreement.

Since each of the Agreements is for an indefinite term (except the cost sharing agreement, the term of which cannot be ascertained currently) and no monetary value can be ascribed to any of the Agreements, currently, it cannot be ascertained whether the entry into these Agreements, together with other relevant transactions in the current financial year, would result in the above threshold of 10% of the annual consolidated turnover as per the last audited financial statements of the Company being exceeded.

The approval of the shareholders by way of a special resolution in respect of the Agreements is being sought by way of abundant caution and as a proactive measure.

The Audit Committee of the Board of Directors of the Company, then comprised of a total of four non-executive directors, including three independent non-executive directors (the “**Audit Committee**”), at its meeting held on October 19, 2014 unanimously approved the drafts of the Agreements subject to the approval of the Board of Directors of the Company (“**Board**”) and its shareholders. The Audit Committee has independently assessed the Agreements (taking into account the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company) alongside the risks to be undertaken by the Company and has thereafter accorded its approval.

The Board of Directors of the Company, at its meeting held on October 20, 2014, independently assessed the Agreements (taking into account the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as

estimated by the management of the Company) as well as the risks to be undertaken by the Company and has, subject to the approval of the shareholders, approved the drafts of the Agreements.

The Agreements are to be entered into on an arm's length basis and all factors relevant to the Agreements have been independently considered by the Board. The Board noted, inter alia, that (i) the Company is a leading alcoholic beverages manufacturer and distributor and the Agreements would enable the Company to be in a position to gain a diverse product portfolio, additional sales revenue and improve the Company's standing in the domestic market by virtue of leveraging the Diageo brand and know-how, (ii) the Agreements are value accretive for the Company and are consistent with the Company's strategy to build and extend its competitive advantage in the "Premium and above" market segments, and (iii) the management's estimate of the potential financial and commercial benefits for the first full year of operations under the Licence and Distribution Agreements compared against the existing sales promotion services agreement that the Company has entered into with DIPL (explained in greater detail below) provides an insight on the likely value accretion that the Licence and Distribution Agreements will have on the Company.

The proposal for entering into the Licence and Distribution Agreements was placed for approval before the shareholders by way of a postal ballot through a notice dated October 20, 2014. Pursuant to the terms of the Listing Agreement, all the shareholders of the Company who were related parties of the Company, viz. (i) all the promoters of the Company, comprising Relay B.V. (holding 54.78% of the issued share capital of the Company) and United Breweries (Holdings) Limited, Kingfisher Finvest India Limited and others (holding in aggregate 4.09% of the issued share capital of the Company) and (ii) USL Benefit Trust (holding 2.38% of the issued share capital of the Company) did not vote on this resolution. Out of the eligible shareholders, a significantly high number of shareholders (i.e. 70.2% of the total votes cast) voted in favour of this resolution. However, since the required majority to approve the resolution was at least 75% of the total votes cast being in favour of the resolution, the votes cast in favour fell just short of the required majority. Accordingly, the resolution was not approved with requisite majority in the postal ballot.

Following the declaration of the results of the postal ballot, certain investors expressed their view to the management of the Company that disclosure of the estimated monetary benefits that are likely to accrue to the Company pursuant to the Licence and Distribution Agreements would assist shareholders in better understanding the implications of the Company entering into the Agreements. Accordingly, indicative estimates of the financial and commercial benefits that are likely to accrue to Company pursuant to the Licence and Distribution Agreements, including a comparison against the benefits currently accruing to the Company pursuant to the existing Sales Promotion Services Agreement dated October 1, 2013, are included in this Explanatory Statement. The existing Sales Promotion Services Agreement was approved by way of a Special Resolution by the shareholders of the Company with 99.989% of the total votes cast at the Extraordinary General Meeting of the Company held on November 28, 2014 being in favour.

The Board has considered the above and has recommended through circular resolution passed on **December 12, 2014** that the proposal to enter into the Agreements be placed before the shareholders of the Company again for their approval in an Extraordinary General Meeting.

As mentioned above, the drafts of the Agreements are open for inspection at the Registered Office of the Company on all working days of the Company (except Saturdays and Sundays) between 11.00 a.m. and 4.00 p.m. up to **January 8, 2015**. Following commercial discussions between the relevant parties, Diageo Argentina S.A and the Old Bushmill's Distillery have been removed as parties from the distribution agreement with, inter alia, Diageo Brands B.V., Diageo North America, Inc. and Diageo Scotland Limited for the distribution of Bottled in Origin products (manufactured by or on behalf of the relevant Diageo brand owner company) in India, as the Company is not proposing to trade in the brands of these two entities in the foreseeable future. Other than this change, the drafts of the Agreements have not been altered from the last time the drafts of these Agreements were kept open for inspection by the shareholders of the Company.

In accordance with the Listing Agreement (as amended by the Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014 issued by the Securities and Exchange Board of India), all entities falling under the definition of related parties are required to abstain from voting irrespective of whether the entity is a party to the particular transaction or not. Accordingly, all shareholders of the Company who are (or could potentially be considered as) related parties of the Company, viz: (i) all the promoters of the Company, comprising Relay B.V. (holding 54.78% of the issued share capital of the Company) and United Breweries (Holdings) Limited, Kingfisher Finvest India Limited and others (holding in aggregate 4.09% of the issued share capital of the Company) and (ii) USL Benefit Trust (holding 2.38% of the issued share capital of the Company) are required to abstain from voting on the resolution in this Notice.

**Indicative Financial and Commercial Benefits for the first full year of operations under the Licence and Distribution Agreements estimated by the management of the Company**

The Licence and Distribution Agreements cover three (3) business segments, namely BII-Bulk, BII and BIO (described in further detail below). The indicative financial and commercial benefits likely to accrue to the Company (as set out in the table below) under the Licence and Distribution Agreements are the aggregate of these three business segments and after taking into account all relevant direct costs/ payments to the relevant Diageo subsidiaries for: (i) the bulk Scotch whisky (in relation to BII-Bulk business segment), (ii) the relevant royalty (in relation to BII business segment), and (iii) the finished goods (in relation to BIO business segment).

By way of an illustration, an indicative comparison is made against the existing sales promotion services agreement dated October 1, 2013 between the Company and DIPL, which has been approved by the shareholders of the Company in the extraordinary general meeting of the shareholders convened by the Company on November 28, 2014.

	Sales promotion services agreement with DIPL (current arrangement)	Proposed Licence and Distribution Agreements with relevant Diageo subsidiaries as per the Resolution set forth above
Indicative net sales revenue- annualized estimate	NIL	Approximately INR 700,00,00,000 (Indian Rupees Seven Hundred crores) [Note 1]
Net sales revenue as a proportion of the Company's reported results (in the first full year of operation)	n/a	8 percentage points [Note 2]
Gross commission from the current sales promotion agreement	6% (approximately INR 42,00,00,000 (Indian Rupees Forty Two crores)) [Note 3]	n/a
Estimated EBIT post direct expenses under the current arrangement	Approximately INR 16,00,00,000 (Indian Rupees Sixteen crores)) [Note 4]	n/a
Management's estimate of the expected return (on EBIT basis) from the Licence and Distribution Agreements	n/a	Approximately 10% (i.e. approximately INR 70,00,00,000 (Indian Rupees Seventy Crores) [Note 5]

**Notes:**

Note 1: Estimated incremental net sales revenue of the Company in the first full year of operations under the proposed Licence and Distribution Agreements – reported as “Revenue from operations” after taking into account the applicable excise duties in the financial statements. The comparable net sales revenue reported by Diageo India Private Limited in its audited financial statements for the year ended 31 March 2014 was INR 683,24,24,291 (Indian Rupees Six hundred and Eighty Three crores Twenty Four lakhs Twenty Four thousand Two hundred and Ninety one).

Note 2: Net sales revenue in Note 1 as a proportion of the reported net sales revenue of the Company for the year ended 31 March 2014.

Note 3: 6% sales promotion commission as per the current arrangement applied on the notional sales revenue of INR 700,00,00,000 (Indian Rupees Seven Hundred crores). This would be reported under “Other operating income” in the financial statements of the Company.

Note 4: After deducting direct expenses associated with the sales promotion agreement between the Company and DIPL.

Note 5: Management's estimate of the returns (on EBIT basis) is likely to be delivered under the proposed Licence and Distribution Agreements (in the first full year of operations) including operational synergies.

Additionally, the management of the Company has estimated the revenue that is likely to be generated (based on the table above) for the first full year of operations under the Licence and Distribution Agreements, after taking in to account all the relevant direct costs/ payments to the relevant Diageo subsidiaries and proposed working capital requirements in order to provide an indication of the financial benefits (in monetary terms) that are likely to accrue to the Company as result of the Licence and Distribution Agreements.

	Sales promotion services agreement with DIPL (current arrangement)	Proposed Licence and Distribution Agreements with relevant Diageo subsidiaries as per the Resolution set forth above
Estimated Total Revenue	Approximately INR 42,00,00,000 (Indian Rupees Forty Two crores)	Approximately INR 700,00,00,000 (Indian Rupees Seven Hundred crores)
Estimated EBIT	Approximately INR 16,00,00,000 (Indian Rupees Sixteen crores)	Approximately INR 70,00,00,000 (Indian Rupees Seventy crores)
Estimated Working Capital requirements	Nil	Approximately INR 200,00,00,000 (Indian Rupees Two Hundred crores)

#### Disclosures under the Companies Act, 2013

The rules framed under the Companies Act, 2013 and in particular Rule 15 (3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, require the Company to set out in this explanatory statement, the following details:

(a) Name of the related party –

<b>Contract or Arrangement</b>	<b>Related Parties</b>
Licence to manufacture and sell Bottled in India (bulk) products of Diageo Brands B.V. within India.	Diageo Brands B.V.
Licence to manufacture and sell Bottled in India (manufactured in India) products of Diageo North America Inc. and Diageo Scotland Limited within India.	(1) Diageo North America Inc.; and (2) Diageo Scotland Limited
Agreement to distribute Bottled in Origin products (manufactured by the Diageo Companies) within India.	(1) Diageo Scotland Limited; (2) Diageo Brands B.V.; (3) Diageo North America Inc.; (4) Justerini & Brooks Limited; (5) R & A Bailey & Co.; (6) Diageo Chateau & Estates Wine Company; and (7) Diageo Ireland
Cost sharing agreement	Diageo India Private Limited

(b) Name of the director or key managerial personnel who is related, if any – Mr. Anand Kripalu (Managing Director and Chief Executive Officer), Mr. P.A. Murali (Executive Director and Chief Financial Officer), Mr. Nicholas Bodo Blazquez (Vice Chairman and Non-executive Director), Mr. Ravi Rajagopal (Non-executive Director), being nominees of Relay B.V., an indirect wholly owned subsidiary of Diageo plc.

(c) Nature of relationship - Each of the Company, on the one hand and the counterparties to each of the agreements, on the other, are ultimate subsidiaries of Diageo plc.

(d) Nature, material terms, monetary value and particulars of the contract or arrangement –

<b>Name of the counterparty(ies)</b>	Diageo Brands B.V.	Diageo North America Inc. and Diageo Scotland Limited	(1) Diageo Scotland Limited; (2) Diageo Brands B.V.; (3) Diageo North America Inc.; (4) Justerini & Brooks Limited; (5) R & A Bailey & Co.; (6) Diageo Chateau & Estates Wine Company; and (7) Diageo Ireland (together the “ <b>Diageo Companies</b> ”)	Diageo India Private Limited
<b>Nature of the arrangement</b>	Licence to manufacture and sell Bottled in India (bulk) products of Diageo Brands B.V. within India.	Licence to manufacture and sell Bottled in India (manufactured in India) products of Diageo North America Inc. and Diageo Scotland Limited within India.	Agreement to distribute Bottled in Origin products (manufactured by the Diageo Companies) within India.	Cost sharing agreement

<b>Material terms</b>	<p>The Company will manufacture and distribute the following products within India: (a) VAT 69; (b) Haig Gold Label; and (c) Black &amp; White.</p> <p>The Company will abide by the confidentiality, non-compete and protection of intellectual property obligations.</p> <p>The parties to the agreement have provided standard representations, warranties and indemnities that are typical in such agreements.</p>	<p>The Company will manufacture and distribute the following products within India: (a) Smirnoff and related variants; and (b) Captain Morgan rum.</p> <p>The Company will abide by the confidentiality, non-compete and protection of intellectual property obligations.</p> <p>The parties to the agreement have provided standard representations, warranties and indemnities that are typical in such agreements.</p>	<p>The Company will import and distribute, inter alia, the following products within India: (a) Johnnie Walker and related variants; (b) J&amp;B; (c) Ciroc; (d) Baileys; (e) Lagavulin; and (f) Talisker</p> <p>The Company will abide by the confidentiality, non-compete and protection of intellectual property obligations.</p> <p>The parties to the agreement have provided standard representations, warranties and indemnities that are typical in such agreements.</p>	<p>Proportionate sharing by the Company and Diageo India Private Limited of the expenses incurred by Diageo India Private Limited (proportionately adjusted for any direct expenses incurred on relevant trademark advertising, marketing and promotion activity by the Company) during the transition period for advertising, marketing and promotion activities for alcoholic beverages owned by various Diageo brand owner companies in India.</p>
<b>Monetary value</b>	<p>It is not possible to ascribe a monetary value to this agreement at present since it is largely dependent on the volume of sales and the applicable sale price. However, the agreement sets out the principles based on which the monetary value can be arrived at for a particular period.</p> <p>Based on these principles, the management of the Company has estimated the financial and commercial benefits likely to accrue to the Company as result of the Licence and Distribution Agreements. These are explained in further detailed in the table above (Indicative Financial and Commercial Benefits).</p> <p>The Company will buy bulk scotch whisky from Diageo Brands B.V. at a price that will be mutually agreed from time to time between the Company and Diageo Brands B.V. in order for the Company to achieve an arm's length return.</p>	<p>It is not possible to ascribe a monetary value to this agreement at present since it is largely dependent on the volume of sales and the applicable sale price. However, the agreement sets out the principles based on which the monetary value can be arrived at for a particular period.</p> <p>Based on these principles, the management of the Company has estimated the financial and commercial benefits likely to accrue to the Company as result of the Licence and Distribution Agreements. These are explained in further detailed in the table above (Indicative Financial and Commercial Benefits).</p> <p>The Company will pay to Diageo North America Inc. and Diageo Scotland Limited royalty which would be a specified percentage (to be mutually agreed from time to time) of the Company's net sales value of such products in order for the Company to achieve an arm's length return.</p>	<p>It is not possible to ascribe a monetary value to this agreement at present since it is largely dependent on the volume of sales and the applicable sale price. However, the agreement sets out the principles based on which the monetary value can be arrived at for a particular period.</p> <p>Based on these principles, the management of the Company has estimated the financial and commercial benefits likely to accrue to the Company as result of the Licence and Distribution Agreements. These are explained in further detailed in the table above (Indicative Financial and Commercial Benefits).</p> <p>The Company will buy the products of the Diageo Companies to be distributed in India at a price that will be mutually agreed from time to time between the Company and the Diageo Companies in order for the Company to achieve an arm's length return.</p>	<p>It is not possible to ascribe a monetary value to this agreement at present since it is dependent on the expenses incurred by DIPL on advertising, marketing and promotion activities for alcoholic beverages during the transition period.</p>



	Subject to applicable regulations in each state (including relevant state excise regulations) and applicable tender / sale terms of state beverage corporations where relevant, the Company will be entitled to sell the products at such prices and on such commercial terms as it may determine subject to competitive market conditions.	Subject to applicable regulations in each state (including relevant state excise regulations) and applicable tender / sale terms of state beverage corporations where relevant, the Company will be entitled to sell the products at such prices and on such commercial terms as it may determine subject to competitive market conditions.	Subject to applicable regulations in each state (including relevant state excise regulations) and applicable tender / sale terms of state beverage corporations where relevant, the Company will be entitled to sell such products at such prices and on such commercial terms as it may determine subject to competitive market conditions.	
<b>Term and Termination</b>	<p>The agreement is for an indefinite term.</p> <p>Either party has the option to terminate the agreement by giving a prior written notice of 12 months.</p> <p>The parties can also mutually agree to terminate the agreement on such terms and conditions and within such time period as may be mutually agreed.</p> <p>The agreement also contains standard termination provisions in the case of an event of default with specific cure periods. These events of default, inter alia, include material breach of any terms of the agreement or a liquidation event.</p>	<p>The agreement is for an indefinite term.</p> <p>Either party has the option to terminate the agreement by giving a prior written notice of 12 months.</p> <p>The parties can also mutually agree to terminate the agreement on such terms and conditions and within such time period as may be mutually agreed.</p> <p>The agreement also contains standard termination provisions in the case of an event of default with specific cure periods. These events of default, inter alia, include material breach of any terms of the agreement or a liquidation event.</p>	<p>The agreement is for an indefinite term.</p> <p>Either party has the option to terminate the agreement by giving a prior written notice of 12 months.</p> <p>The parties can also mutually agree to terminate the agreement on such terms and conditions and within such time period as may be mutually agreed.</p> <p>The agreement also contains standard termination provisions in the case of an event of default with specific cure periods. These events of default, inter alia, include material breach of any terms of the agreement or a liquidation event.</p>	<p>The agreement will terminate on the last of the agreements entered into with Diageo's current distributor (DIPL) ceasing to be in effect. Therefore, the term of this agreement cannot be ascertained presently.</p>

The Company has developed into an institution with efficient systems, competent management practices and stringent operational control processes and the Agreements are a part of the Company's three year strategic plan to deliver the long term vision of becoming "the most admired, respected and best performing consumer goods company in India". The Agreements have been reviewed and negotiated by the Company in a manner that is beneficial to the Company and its shareholders.

By entering into the Agreements, the Company will be in a position to gain a diverse, global product portfolio, additional sales revenue and improve the Company's standing in the domestic market by virtue of leveraging the Diageo brand and know-how as well as result in an expansion in the business activities that the Company currently performs on behalf of the Diageo brands, enabling the Company to capture an increased share of value derived from growing the Diageo brand portfolio within India. The Agreements are value accretive for the Company and are consistent with the Company's strategy to build and extend its competitive advantage in the "Premium and above" market segments. The management's estimate of the potential financial and commercial benefits for the first full year of operations under the Licence and Distribution Agreements compared against the existing sales promotion services agreement that the Company has entered into with DIPL (explained in greater detail above - Indicative Financial and Commercial Benefits) provides an insight on the likely value accretion that the Licence and Distribution Agreements will have on the Company.

The parties to these Agreements are committed to conduct the transactions contemplated therein on an “arm’s length targeted return or margin” for the Company. The relevant arm’s length margin for a particular period will be determined based on (i) external comparable benchmarking undertaken by a qualified external independent accounting firm, and (ii) such other data as considered relevant including the forecast operating plan of the Company in respect of the relevant products for the relevant period. All related party transactions under these Agreements will be specifically reported in the Company’s audited financial statements as per the applicable accounting standard.

The targeted operating profit margin will be based on the projected operating costs and returns derived by the Company on the achievement of an annual operating plan and will reflect arm’s length pricing for the activities to be performed and the risks to be undertaken by the Company.

Upon completion of the transition of the Indian distributorship rights from Diageo’s current distributor in India to the Company, the Company will become the exclusive manufacturer and distributor of the products of the relevant Diageo subsidiaries in India. Further details regarding each of these Agreements proposed to be entered into with the relevant Diageo subsidiaries is set out below for the benefit of the shareholders of the Company:

### **Licence and Distribution Agreements**

**Bottled in India (bulk) (“BII- Bulk”) licence for manufacture and sale agreement with Diageo Brands B.V. (“DBBV”)**

BII – Bulk is the terminology for Scotch whisky manufactured in India using imported bulk spirit or concentrated alcoholic beverage. The proposed agreement for BII – Bulk brands provides that the Company is to be granted a licence from DBBV to use the relevant trademarks, copyright and know-how in relation to the manufacture of Scotch whisky in India and also for the Company to exclusively distribute such products in India once the transition of the distributorship rights from Diageo’s current distributor to the Company is complete.

Under this agreement, no royalty is payable by the Company to DBBV. The Company will purchase and import bulk spirit from DBBV at prices mutually agreed between the Company and DBBV from time to time and then undertake, at its own expense, all manufacturing and distribution activities of Scotch whisky. The bulk spirit will be sold by DBBV to the Company on standard terms and conditions of sale and at prices mutually agreed between the Company and DBBV.

**Bottled in India (“BII”) (manufactured in India) licence for manufacture and sale agreement with Diageo North America Inc. (“DNA”) and Diageo Scotland Limited (“DSL” and together with DNA, the “Brand Owners”)**

BII (manufactured in India) is the terminology for spirits fully manufactured in India using raw materials procured by the Company (without any direct purchases of raw material from the Brand Owners). The proposed agreement for BII brands provides that the Company is to be granted a licence from each Brand Owner to use the relevant trademarks, copyright and know-how in relation to the manufacture of spirits in India and also for the Company to exclusively distribute such products in India once the transition of the distributorship rights from Diageo’s current distributor to the Company is complete.

In terms of the licence agreement for BII, the Company is required to pay the Brand Owners royalty on a quarterly basis for each year. The royalty payment by the Company to each of the Brand Owners for the licence to it of the relevant intellectual property described above will effectively have two (2) components: (i) a fixed component that will be agreed between the parties at the commencement of the agreement, and (ii) a variable component, which will be set at the start of each year in order to deliver an arm’s length return based on the forward annual operating plan. The amount of royalty, calculated as a percentage of the net sales value of the products manufactured by the Company for a particular year, will be mutually agreed between the Company and the Brand Owners from time to time.

**Distribution Agreement for Bottled in Origin (“BIO”) brands**

BIO is the terminology for brands/products which are imported on a finished goods basis. The proposed agreement for BIO brands provides that the Company is to be appointed as the exclusive importer and distributor for these brands in India once the transition of the distributorship rights from Diageo’s current distributor to the Company is complete. Under this agreement, the Company will purchase finished goods from the relevant Diageo brand owner company and will then undertake, at its own expense, all in-market activities necessary to distribute the relevant products in the territory of India.

The products will be sold by the Diageo brand owner companies to the Company on standard terms and conditions of sale and at prices mutually agreed between the Company and the Diageo brand owner companies from time to time.

## Cost Sharing Agreement with DIPL

This agreement with DIPL pertains to proportionate sharing by the Company and DIPL of the expenses incurred by DIPL during the transition period for advertising, marketing and promotion activities for alcoholic beverages owned by various Diageo brand owner companies worldwide in India.

The transition of the Indian distributorship rights from DIPL to the Company will occur as part of the annual label registration process undertaken with the State excise bodies. The timelines for both commencing and completing this process vary from State to State, extending from January 2015 through to July 2015 or later. Hence, the transition will take place on a staggered basis and during this "transition period" the manufacturing / distribution rights will progressively switch over from DIPL to the Company. Therefore, a "cost sharing agreement" will be entered into between DIPL and the Company to govern the principles on which common costs such as relevant trademark advertising, marketing and promotional expenses which DIPL will incur on behalf of both parties during the transition period.

Accordingly, the above expenses incurred by DIPL during the transition period are proposed to be shared by them in proportion to the net sales revenue generated by each of them during such period. The Company will make proportionate payment for its share of expenses incurred by DIPL on advertising, marketing and promotional activities for the alcoholic beverages sold by both parties in various States within India.

The Company shall bear a proportionate share of the expenses incurred on advertising, marketing and promotional activities by DIPL in the same proportion to the total expenses incurred by DIPL (proportionately adjusted for any direct expenses incurred on relevant trademark advertising, marketing and promotion activity by the Company) on advertising, marketing and promotional activities for the product during the transition period that the net sales value of the Company for such product during the transition period bears to the aggregate net sales value of such product during the transition period.

Your Directors recommend the aforesaid resolution for your approval.

Mr. Anand Kripalu (Managing Director and Chief Executive Officer), Mr. P.A. Murali (Executive Director and Chief Financial Officer), Mr. Nicholas Bodo Blazquez (Vice Chairman and Non-Executive Director) and Mr. Ravi Rajagopal (Non-Executive Director) are nominees of Relay B.V., an indirect wholly owned subsidiary of Diageo plc.

Except as mentioned above, none of the other: (i) directors of the Company; (ii) key managerial personnel of the Company; or (iii) relatives of directors or key managerial personnel of the Company, are in any way, concerned or interested (financially or otherwise) in the resolutions set out in above.

By Order of the Board  
For **United Spirits Limited**

Place : Bangalore  
Date : December 12, 2014

**V.S. Venkataraman**  
Company Secretary





## United Spirits Limited

Corporate Identity Number: L01551KA1999PLC024991

Registered Office: 'UB Tower', #24, Vittal Mallya Road, Bangalore - 560 001.

Tel: +91 80 3985 6500; Fax: +91 80 3985 6862; www.unitedspirits.in, Email: usinvestor@unitedspirits.in

### ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

I / we hereby record my / our presence at the Extraordinary General Meeting held on Friday, January 09, 2015 at 3.30 p.m. at 'The Senate', The Capitol, No. 3, Raj Bhavan Road, Bangalore 560 001.

Name & Address	:
Folio No. / DP ID / Client ID	:
No. of Shares	:

Name of the Member / Proxy / Authorised Representative \* \_\_\_\_\_

Signature of the Member / Proxy / Authorised Representative\* \_\_\_\_\_

\*strike off whichever is not applicable

#### Notes:

1. The Company will accept only Attendance Slip of a person personally attending the meeting as a Member or valid proxy duly registered in time with the Company. The Company will not accept Attendance Slip from any other person even if signed by a Member. Members are requested not to be accompanied by non-Members or children.
2. Persons representing bodies corporate are required to submit with the Company original Resolution of the Board of Directors or other governing body of such Member, authorizing such person to act as its representative under Section 113 of the Companies Act, 2013.
3. Shareholders/Proxy holder/Authorised Representative attending the meeting should bring his/her copy of Annual Report for reference at the meeting.
4. To facilitate Members, registration of attendance will commence at 2.30 p.m. on January 09, 2015.
5. E-voting particulars are set out below:

EVEN (Electronic Voting Event Number)	USER ID	PASSWORD

Please refer Notice for instructions on e-voting.

E-voting facility will be open during the following period.

Commencement of E-voting	End of E-voting
Saturday, January 03, 2015 at 9.00 a.m.	Monday, January 05, 2015 at 6.00 p.m.

Members are advised that no Gifts will be distributed at the Extraordinary General Meeting



UNITED SPIRITS

## United Spirits Limited

Corporate Identity Number: L01551KA1999PLC024991

Registered Office: 'UB Tower', #24, Vittal Mallya Road, Bangalore - 560 001.

Tel: +91 80 3985 6500; Fax: +91 80 3985 6862; www.unitedspirits.in, Email: uslinvestor@unitedspirits.in

### PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s) : \_\_\_\_\_

Registered Address : \_\_\_\_\_

E-mail Id : \_\_\_\_\_

Folio No / Client Id : \_\_\_\_\_

DP Id : \_\_\_\_\_

I/We, being holder(s) of \_\_\_\_\_ equity shares of United Spirits Limited hereby appoint

1. Name: \_\_\_\_\_ Address: \_\_\_\_\_

E-mail Id: \_\_\_\_\_ Signature: \_\_\_\_\_ or failing him / her

2. Name: \_\_\_\_\_ Address: \_\_\_\_\_

E-mail Id: \_\_\_\_\_ Signature: \_\_\_\_\_ or failing him / her

3. Name: \_\_\_\_\_ Address: \_\_\_\_\_

E-mail Id: \_\_\_\_\_ Signature: \_\_\_\_\_

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held on Friday, January 09, 2015 at 3.30 p.m. at 'The Senate', The Capitol, No. 3, Raj Bhavan Road, Bangalore 560 001 and at any adjournment thereof in respect of such resolution as is indicated below:

- |    |  |
|----|--|
| 1. | <p><b>To consider approval for entering into the following agreements by the Company:-</b></p> <ul style="list-style-type: none"> <li>i. the licence for manufacture and sale agreement with Diageo Brands B.V. for the manufacture and distribution of Bottled in India (bulk) products under licence from Diageo Brands B.V. in India;</li> <li>ii. the licence for manufacture and sale agreement with Diageo North America, Inc. and Diageo Scotland Limited for the manufacture and distribution of Bottled in India (manufactured in India) products under licence from Diageo North America, Inc. and Diageo Scotland Limited, respectively in India;</li> <li>iii. the distribution agreement with, inter alia, Diageo Brands B.V., Diageo North America, Inc. and Diageo Scotland Limited for the distribution of bottled in origin products (manufactured by or on behalf of the relevant Diageo brand owner company) in India;</li> <li>iv. the cost sharing agreement with Diageo India Private Limited with respect to the proportionate sharing by the Company and Diageo India Private Limited of the expenses incurred during the transition period on advertising, marketing and promotion activities for alcoholic beverages owned by various Diageo subsidiaries, in India; and</li> <li>v. such other and further documents in connection with the aforesaid arrangements, each in such form and on such terms as may be finalized and approved by the Board.</li> </ul> |
|----|--|

Affix Rs.1/-  
Revenue  
Stamp

Signature of the Shareholder(s): \_\_\_\_\_

Signature of the Proxy holder(s): \_\_\_\_\_

#### Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the time of commencement of the Meeting.
2. A person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company. Further a Member holding more than ten percent of the total Share Capital of the Company carrying voting rights can appoint a single person as proxy and such person shall not act as a proxy for any other Member.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.