UNITED SPIRITS LIMITED

A DIAGEO Group Company

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

(Rs. In Crores)

Part I: Statement of Standalone Unaudited Results for the quarter ended June 30, 2015

	3 months ended June 30, 2015 Unaudited	Previous 3 months ended March 31, 2015 Audited (Refer note 12)	3 months ended June 30, 2014 Unaudited (Refer note 2)	Previous year ended March 31, 2015 Audited
1 Income from operations	5,146.11	5,034.73	4,761.65	20,502.54
Less: Excise duty	3,157.71	3,014.36	2,981.82	12,550.89
(a) Net sales / Income from operations	1,988.40	2,020.37	1,779.83	7,951.65
(b) Other operating income	17.14	30.88	14.77	97.69
Total income from operations (net)	2,005.54	2,051.25	1,794.60	8,049.34
2 Expenses:				
a) Cost of materials consumed	940.05	777.58	916.23	3,578.23
b) Purchase of stock-in-trade	319.21	255.17	171.27	1,211.03
c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(113.68)	50.46	(52.25)	(20.50)
d) Employee benefits expense*	164.83	212.25	133.21	618.50
e) Depreciation and amortisation expense	25.04	36.99	24.34	109.74
f) Other expenses:				
i) Advertisement and sales promotion	216.75	196.74	205.41	786.80
ii) Others	276.41	533.97	282.91	1,364.78
Total expenses	1,828.61	2,063.16	1,681.12	7,648.58
3 Profit / (loss) from operations before other income, finance costs and exceptional items (1-2)	176.93	(11.91)	113.48	400.76
4 a) Other income	4.42	65.65	31.07	159.98
b) Exchange difference - gain / (loss), net	10.15	8.78	(0.11)	(24.25)
5 Profit / (loss) from ordinary activities before finance costs and exceptional items (3+4)	191.50	62.52	144.44	536.49
6 Finance costs	128.38	134.15	154.89	592.96
7 Profit / (loss) from ordinary activities after finance costs but before exceptional items (5-6)	63.12	(71.63)	(10.45)	(56.47)
8 Exceptional items (net) (Refer Note 13)	-	(1,754.97)	(42.79)	(1,871.67)
9 Profit / (loss) from ordinary activities before tax (7 + 8)	63.12	(1,826.60)	(53.24)	(1,928.14)
10 Tax expense	43.20	(27.32)	8.59	28.34
11 Net profit / (loss) from ordinary activities after tax (9-10)	19.92	(1,799.28)	(61.83)	(1,956.48)
12 Extraordinary Items (Net of tax expense)	-	-	-	-
13 Net profit / (loss) for the period (11-12)	19.92	(1,799.28)	(61.83)	(1,956.48)
14 Paid-up equity share capital (Face value Rs.10)	145.33	145.33	145.33	145.33
15 Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year				1,796.75
16 Earnings per share of Rs.10 each (not annualised):				
a) Basic	1.37	(123.81)	(4.25)	(134.62)
b) Diluted	1.37	(123.81)	(4.25)	(134.62)

Part II: Select Information for the quarter ended June 30, 2015

A. Particulars of shareholding				
1 Public shareholding				
- Number of Shares	59,766,064	59,766,064	97,425,269	59,766,064
- Percentage of shareholding	41.13%	41.13%	67.04%	41.13%
2 Promoters and Promoter Group Shareholding:				
a) Pledged / Encumbered				
- Number of shares	3,213,820	3,213,820	3,339,829	3,213,820
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	3.76%	3.76%	6.97%	3.76%
- Percentage of shares (as a % of the total share capital of the Company)	2.21%	2.21%	2.30%	2.21%
b) Non-encumbered				
- Number of shares	82,347,859	82,347,859	44,562,645	82,347,859
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	96.24%	96.24%	93.03%	96.24%
- Percentage of shares (as a % of the total share capital of the Company)	56.66%	56.66%	30.66%	56.66%

B. Investor Complaints	
Pending at the beginning of the quarter	Nil
Received during the quarter	9
Disposed of during the quarter	9
Remaining unresolved at the end of the quarter	Nil

* Includes provision for Rs 34 Crores towards employee incentive scheme communicated during the quarter ended March 31, 2015.

United Spirits Limited

Unaudited Financial Results for the quarter ended June 30, 2015

Notes:

1. United Spirits Limited ("the Company") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing / brand franchise, which constitute a single business segment. The Company is primarily organized into two main geographic segments namely India and Outside India. However, the Company's operations outside India did not exceed the quantitative threshold for disclosure in standalone financial results envisaged in AS-17 on "Segment Reporting" notified under the Companies (Accounting Standard) Rules 2006. In view of the above, both primary and secondary reporting disclosures for business/ geographical segment as envisaged in AS-17 are not applicable to the Company.

2. For the purpose of disclosures in these financial results, the figures for the quarter ended June 30, 2014, have been adjusted to give effect to the demerger of the Chennai Unit from the appointed date of April 1, 2013.

3. The Board of Directors at their meeting held on January 8, 2014, approved the amalgamation of:

   a) Tern Distilleries Private Limited, a wholly owned subsidiary of the Company ("TERN") pursuant to a Draft Rehabilitation Scheme and applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date as April 1, 2013 ("TERN Scheme"). The entire operations of TERN comprise transactions with the Company. The net impact on the financial results of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company approved the TERN Scheme at their Extraordinary General Meeting held on March 18, 2014 and the approval by the Board for Industrial and Financial Reconstruction ("BIFR") is in progress. Pending approval of the TERN Scheme, no effect has been given in the accompanying statement of financial results.

   b) SW Finance Company Limited, a wholly owned subsidiary of the Company ("SWFCL") with the Company with the appointed date of January 1, 2014 ("SWFCL Scheme") pursuant to the applicable provisions of the Companies Act, 1956, and subject to the sanction of the Honourable jurisdictional High Courts / any competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, SWFCL will stand merged with the Company. The Company's Petition has been filed before the Honourable Bombay High Court ("High Court") and the same has been admitted. The High Court has appointed the Official Liquidator. Pending approval of the SWFCL Scheme, no effect has been given in the accompanying financial results. The operations of SWFCL are predominantly with the Company. The net impact on the financial results of the Company from such operations is expected to be immaterial when effected.

4. Further to the sale of the White & Mackay Group Limited in the previous year and the letter dated October 16, 2014 received from the authorised dealer, the Company is yet to complete the liquidation of the intermediary wholly owned subsidiary companies. The Company will comply with the requisite conditions specified by the authorised dealer in accordance with the applicable law subsequent to the liquidation of the said intermediary wholly owned subsidiary companies.

5. During the financial year ended March 31, 2014, the Board had directed a detailed and expeditious inquiry in relation to certain matters, including those referred to in paragraphs (a) and (b) below, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956, and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature (the "Inquiry"). Pursuant to the directions of the Board, the Inquiry was headed by the Managing Director and Chief Executive Officer ("MD & CEO") of the Company. The Board also directed the MD & CEO to engage independent advisers and specialists as required. At its meeting held on April 25, 2015, the Board discussed and considered in detail the report submitted by the MD & CEO in relation to the Inquiry ("Inquiry Report"), the inputs and expert advice of the independent advisers and specialists and other relevant inputs.

a) During the financial year ended March 31, 2014, certain parties who had previously given undisputed balance confirmations for the financial year ended March 31, 2013, claimed in their balance confirmations to the Company for the financial year ended March 31, 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to tie-up manufacturing units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, the Management's assessment of recoverability and other considerations, as a matter of prudence, an aggregate amount of Rs.649.55 Crores (including interest claimed) was provided in the financial statements for the financial year ended March 31, 2014 and was disclosed as a prior period item. Management has sought confirmations of balances from these counterparties for the year ended March 31, 2015, but have not received responses from some of them.

The Inquiry Report stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and/or its subsidiaries to certain UB Group companies, including in particular, Kingfisher Airlines Limited ("KFA"). The diverted amounts were included in the provision made by the Company in the financial statements for the previous financial year. The Inquiry also indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the listing agreement signed by the Company with various stock exchanges in India on which its securities are listed.

During the year ended March 31, 2015, an additional provision of Rs.21.60 Crores was made for interest claimed. The Management has determined that in light of these provisions, no additional material adjustments to the financial results are required on this account.

In connection with the recovery of the funds that were diverted from the Company and/or its subsidiaries, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company is in the process of initiating steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible.

b) Certain pre-existing loans / deposits / advances were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ("UBHL") and were in existence as on March 31, 2013. In addition, the amounts owed by UBHL to the Company's wholly-owned subsidiaries had been assigned by such subsidiaries to the Company and recorded as loans from such subsidiaries in the books of the Company. Such dues (together with interest) aggregating Rs.1,337.40 Crores, were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on July 3, 2013. The interest rate under the above mentioned loan agreement with UBHL is 9.5% p.a., with the interest to be paid at six-monthly intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of eight years and is payable in three annual instalments commencing from the end of 6th anniversary of the effective date of the loan agreement.

Pursuant to the directions of the Board, the Inquiry also included a review of documentation to further understand and assess elements of and background to the above loan arrangement and to establish the rationale / basis for the interest rate applicable in respect of the consolidated loan amount.

With regard to the prior transactions that were consolidated into the single loan on July 3, 2013, the Inquiry Report stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company (and its subsidiaries) to UBHL than the exposure that actually existed at that time. *Prima facie*, this indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the listing agreement signed by the Company with various stock exchanges in India on which its securities are listed. The Company is in the process of evaluating its rights and remedies in relation to such violations.

During the year ended March 31, 2014, as a matter of prudence, the Company had not recognised interest income of Rs.96.31 Crores and had provided Rs.330.32 Crores towards the principal outstanding as at March 31, 2014. The notes to accounts for the year ended March 31, 2014 had recorded the Management's belief that it should be able to recover, and that no further provision is required for the balance amount of Rs.995.46 Crores. The said notes also mentioned that the Management would continue to assess the recoverability of the said loan on an on-going basis.

As per the terms of the said loan agreement, an amount of Rs.191.10 Crores (gross of tax) was payable by UBHL to the Company towards the interest payable as of January 2015 under the loan agreement. However, the Company is yet to receive such interest payment from UBHL. The Company received a letter from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka.

As a result of the above and other relevant factors, as a matter of prudence, the Company had provided a further amount of Rs.995.46 Crores towards the entire balance principal amount (i.e., the entire principal amount due under the loan agreement less the amount already provided in the accounts for the financial year ended March 31, 2014) and did not recognise interest income of Rs.120.70 Crores for the year ended March 31, 2015. Accordingly, the Company has also not recognised interest income of Rs.31.68 Crores for the quarter ended June 30, 2015. The Company will pursue all rights and claims to recover the entire amount of the loan together with accrued interest from UBHL and has written to UBHL demanding payment of all sums.

Also refer Note 6 below in connection with the non-approval by the Company's shareholders of the loan agreement with UBHL (and of other potential related party transactions).

c) In relation to the Company's funds that were diverted from the Company, the Board of Directors at their meeting held on April 25, 2015, unanimously agreed to pursue all rights and claims against the relevant parties mentioned in the Inquiry Report to expeditiously recover the Company's dues from such parties, to the extent possible.

d) With regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which also dealt with transactions involving the counterparties referred to in the notes to the Company's audited financial statements for the previous financial year. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified raised concerns as to the propriety of the underlying transactions. The Management made the following provisions with respect to such transactions: (a) Rs.67.81 Crores made in the Company's financial results for the financial year ended March 31, 2015, (b) Rs.44.54 Crores made in the Company's subsidiaries' financial statements for the financial year ended March 31, 2015, (c) Rs.15.70 Crores made in the year ended March 31, 2014 in the Company's financial statements, and (d) Rs.108.71 Crores made in the year ended March 31, 2014 in the Company's consolidated financial statements. The Management believes these provisions are adequate and no additional material adjustments are likely to be required in relation thereto.

The Board also believes that it is necessary to assess whether the Additional Matters or the transactions with the Additional Parties were improper. The Board has therefore directed the MD & CEO to expeditiously review the Additional Matters and transactions with the Additional Parties during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results.

6. As per the requirements of the listing agreements entered into by the Company with various stock exchanges, and applicable circulars issued by SEBI (including circular No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 ("April 17 Circular") and circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014), the Company sought approval of its shareholders for certain historical agreements at the extraordinary general meeting ("EGM") held on November 28, 2014, including the following: (a) loan agreement dated July 3, 2013, between the Company and UBHL; (b) agreements dated September 30, 2011 and December 22, 2011 respectively, between the Company and UBHL requiring UBHL to sell to the Company certain immovable properties; (c) services agreement dated July 3, 2013, between the Company and Kingfisher Finvest India Limited; (d) advertising agreement dated October 1, 2013 (which amended and restated the original agreement dated July 3, 2013) between the Company and Watson Limited; (e) sponsorship agreement dated June 11, 2013 between the Company and United Racing &

Bloodstock Breeders Limited; (f) sponsorship agreement dated June 11, 2013 between the Company and United Mohun Bagan Football Team Private Limited; (g) aircraft services agreement dated June 11, 2013 between the Company and UB Air Private Limited; (h) properties call agreement dated June 11, 2013 between the Company and PE Data Centre Resources Private Limited; and (i) contribution agreement dated June 11, 2013 between the Company and Vittal Mallya Scientific Research Foundation.

As stated in the EGM notice dated October 31, 2014, each of the above-mentioned transactions were duly approved by the board of directors of the Company, prior to entering into the agreement corresponding to such transaction. The EGM notice further stated that while the April 17 Circular mandates that all existing material related party transactions be placed before the shareholders for their approval by way of a special resolution, thus far, the consequences of any non-approval of such existing transactions by the shareholders by the requisite majority is unclear. It is therefore possible that non-approval of one or more of the above-mentioned agreements by the requisite majority may result in the Company being obliged to cease to act upon and potentially put the Company in breach of such agreements, which are the subject of non-approval by the shareholders. This could potentially result in a dispute with the relevant counterparties who may contend that the Company has breached the relevant agreement by failing to act on or fulfil its obligations under the same. Such potential disputes could be protracted and costly, and could result in financial or other liabilities on the Company. Also, any inability on the part of the Company to act on or fulfil its obligations under the unapproved agreements could result in the Company being potentially unable to receive the benefit of the various rights that it is entitled to under such agreements (such as in the case of the agreement noted in (b) above). It was also stated in the EGM Notice that in the absence of sufficient clarity in respect of the provisions dealing with existing material related party contracts and arrangements, the Company was tabling the above-mentioned agreements for the approval of the shareholders by way of abundant caution.

It was further stated that the Company was still in the process of seeking confirmations from, and verifying the position in relation to, the counterparties to, *inter alia*, the above mentioned agreements as to whether or not they are related parties of the Company, and it was not clear whether the counterparties to such agreements are indeed related parties of the Company for the purpose of Clause 49(VII) of the Listing Agreement. However, to the extent it ultimately transpired that all or any of above mentioned agreements do not qualify as existing material related party contracts or arrangements, or the counterparties to all or any of these agreements do not qualify as related parties of the Company, such that approval of the shareholders of the Company is not required under the April 17 Circular in respect of any of the above mentioned contracts or arrangements then, in that case, it shall follow that there will be no consequences on such contracts or arrangements or on their validity or on any act or omission that may have been committed or omitted pursuant thereto, by reason of the shareholders having approved or not approved any of such contracts or arrangements.

At the EGM, the above-mentioned agreements were not approved by the shareholders of the Company by requisite majority. Consequently, the Company has sought clarifications/ directions from SEBI with respect to the implications of the non-approval of the aforesaid agreements by the shareholders of the Company and is continuing to communicate with SEBI to obtain a response at the earliest.

Pending the clarification / direction from SEBI, the Company has recognised the charges up to November 28, 2014, in respect of the agreements listed in (c) to (g) and (i) above, amounting to Rs.135.73 Crores during the financial year ended March 31, 2015 (Rs. 138.22 Crores for the financial year ended March 31, 2014). In light of the fact that the Company's shareholders have not approved the said agreements on November 28, 2014, the Company has not recognised the charges amounting to Rs.94.94 Crores from November 29, 2014 to June 30, 2015 (including Rs. 46.33 crores for the current quarter) payable under the agreements listed in (c) to (g) and (i) above. The Company has informed the respective counterparties that the contracts mentioned above have not been approved by the shareholders. Further, subsequent to November 28, 2014, in response to the letters received by the Company from the concerned counterparties, the Company has made payments amounting to Rs.7.43 Crores to some of these counterparties with respect to the dues for services received prior to November 28, 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the clarifications / directions from SEBI, the Company has not made any payments to the respective counterparties under the agreements in (c) to (g) and (i) above for the period subsequent to November 28, 2014 and has considered these amounts as contingent liabilities. Also see Note 5(b) above in relation to the loan agreement listed above. During the quarter, the Company received communications from some of the counterparties identified above stating that they do not qualify as related parties of the Company, to which the Company has responded.

7. The managerial remuneration for the financial year ended March 31, 2015 aggregating Rs.6.49 Crores and Rs.15.31 Crores towards remuneration of the MD & CEO and the Executive Director and Chief Financial Officer ("ED & CFO"), respectively, was approved by the shareholders of the Company at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 ("Act"). Accordingly, the Company is in the process of obtaining the requisite approval from the Central Government for such excess remuneration.

8. The following letters/ notices were received by the Company with respect to the matters under Inquiry.

   a) The Company has received a notice from the Ministry of Corporate Affairs for an inspection, under Section 206(5) of the Act, of the books of accounts and other books and papers of the Company. A notice under Section 131 of the Income Tax Act, 1961 has also been received. The Company is cooperating fully with the authorities in relation to the same.

   b) The Company has also received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports. Any remedial actions proposed by the previous auditors will be considered by the Company in the light of applicable legal provisions.

c) As directed by the Board, the Company provided a copy of the Inquiry Report to its statutory auditors for their review and further actions as may be required. Following this, the Audit Committee of the Board has received from the statutory auditors a report under Section 143(12) of the Act and the relevant rules thereunder, seeking the Audit Committee's reply / observations. During the quarter, the Audit Committee has provided its reply / observations to the statutory auditors.

d) The Company has also received letters from the National Stock Exchange Limited ("NSE") pursuant to SEBI circular no. CIR/CFD/DIL/7/2012 dated August 3, 2012 in relation to Form B, along with audited financial statements for the financial year ended March 31, 2014. SEBI has directed the NSE to advise the Company to suitably rectify / provide relevant information / explanations on the qualifications raised by the statutory auditors. The Company has suitably addressed the same to the extent possible and responded to the NSE's letters.

9. During the year ended March 31, 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank, amounting to Rs.621.66 Crores, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs.628.00 Crores, including prepayment penalty of Rs.4.0 Crores, with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the instalments and interest as per the loan agreement. The Company has disputed the same and a petition is pending before the Honourable High Court of Karnataka. On March 31, 2015, the bank demanded an amount of Rs.47.4 Crores towards principal and interest on the said loan, which the Company contested in the Honourable High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company plans to engage with the bank to commence discussions. Pending closure of this matter, the loan amount and balance available in cash credit account is presented on net basis in the financial results as at March 31, 2015. The tenure of the said credit facility has been completed as on March 31, 2015.

10. The statutory auditors of the Company have carried out a limited review of the above standalone unaudited financial results for the three months ended June 30, 2015. The statutory auditors have issued a qualified report in respect of the matter stated in Notes 5(a) & (d), 6 and 7 above. The review report of the statutory auditors is being filed with the NSE and BSE.

11. During the previous year, a bank declared one of the directors of the Company as a wilful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Wilful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial results have been prepared on a going concern basis. The Company understands from public records that the above-mentioned decision of the bank declaring the said director as a wilful defaulter has been quashed by an order of the Calcutta High Court on December 24, 2014.

12. The figures for the last quarter ended March 31, 2015 are the balancing figures between the audited figures in respect of the full financial year and the year to date figures for the period ended December 31, 2014, as adjusted for the effects of the transaction described in Note 2.

13. Exceptional items for the year ended March 31, 2015 include: (a) provision for loans and advances to, and investments in the subsidiaries, as detailed in Note 14 aggregating Rs.716.16 Crores, (b) provision for loans and investments in relation to Whyte and Mackay Group aggregating Rs.184.85 Crores, (c) loss on sale of shares of a subsidiary aggregating Rs.10.85 Crores, (d) provision for a loan to a related party as detailed in Note 5(b) aggregating Rs.995.46 Crores; and (e) profit on sale of manufacturing unit aggregating Rs.35.65 Crores.

14. In relation to the standalone financial results of the Company, during the financial year ended March 31, 2015, the Company recorded the provision for diminution on long-term investments in subsidiaries amounting to Rs.361.81 Crores and loans and advances to subsidiaries amounting to Rs.354.35 Crores. This provision resulted primarily due to low capacity utilization, negative margins or strategic shift in focus of the business. The Company recorded this provision based on third-party valuations.

15. Subsequent to the quarter end, the Company has sold 8,500,000 equity shares held by the Company in United Breweries Limited (constituting 3.21% of the paid up equity share capital of United Breweries Limited) for a total sale consideration net of brokerage of Rs.872 Crores (against book value of Rs.15 Crores).

16. Previous period's figures have been regrouped / reclassified as per the current period's presentation for the purpose of comparability.

17. The above unaudited results have been reviewed by the audit committee of the Board on July 23, 2015 and approved by the Board of Directors at its meeting held thereafter on July 23, 2015.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Mumbai
July 23, 2015

Mumbai
July 23, 2015

Press Release

Un-Audited Financial Results for Quarter Ended 30 June 2015 (Q-1 F16)
United Spirits Limited (Standalone only)

Results Summary:

- **+11.8% Net Sales Revenue growth in the quarter ended 30 June 2015**
- **The Company commenced direct sales of relevant Diageo brands in June 2015, adding Rs. 42.0 Crore of Net Sales Revenue in the period (positively impacting Net Sales Revenue growth by 2.4 ppts)**
- **Prestige & Above category brands showing +5.7% volume and +17.2% imputed value growth in the quarter (P&A volume growth excluding Tamil Nadu at +13.4%)**
- **EBIDTA growth* +46.6% to Rs.202 Crore; + Rs.64.0 Crore versus last year**
- **EBIDTA margin* of 10.1%, +2.4 ppts versus last year**
- **Positive PAT delivery of Rs. 20 Crore, + Rs. 82 Crore versus prior year comparable period**

The Board of Directors of United Spirits Limited at their meeting in Mumbai today considered and approved the unaudited financial results for Q-1 of the fiscal year 31 March 2016. The reported results of the Company are as follows:

	April – June 2014	April – June 2015	Change versus prior period
Volumes (Million Cases)	27.2	27.3	+0.4m; +0.4%
Net Sales Revenue (Rs. Crore)	1,795	2,006	+Rs. 211 Cr; +11.8%
EBIDTA (Rs. Crore)	137.8	202.0	+Rs. 64 Cr; +46.6%
PAT (Rs. Crore)	(61.8)	19.9	+Rs. 82 Cr

- For the purpose of disclosures in these financial results, the figures for the quarter ended June 30, 2014, have been adjusted to give effect to the demerger of the Chennai Unit from the appointed date of April 1, 2013 (thus providing like-for-like comparable results for the quarter ended 30 June 2015).

(*) Refer to para 6 of the Notes to the Accounts

- Under the distribution and manufacturing agreements approved in January 2015, the Company during the quarter (June 2015), started the direct distribution / sales of relevant Diageo brands in India. This has resulted in the generation of Net Sales Revenue of Rs. 42.0 Crore in the period (positively impacting Net Sales growth by 2.4 ppts).
- During the First quarter of the fiscal 2016, the strategically focused portfolio comprising the "Prestige and Above" brands added 0.5 million cases and grew volumes by +5.7% (Diageo brands added circa 1ppts to the volume growth) resulting in +17.2% imputed Net Sales growth. This category now represents 33% of the total sales volumes of the Company (+2ppts increase versus prior year). Positive state and brand mix driving positive gearing despite the continued challenged environment on pricing in the industry.
- EBIDTA* for the quarter at Rs. 202 Crore resulting in an EBIDTA margin of 10.1% (up 2.4 ppts from the prior year comparable period). Pending clarifications / directions from SEBI, the Company has not made any payments to the respective counterparties under the agreements referred to in para 6 of the Notes to the Accounts for the period subsequent to November 28, 2014, and has considered these amounts as contingent liabilities.
- Interest costs of Rs. 128 Crore for the quarter is Rs. 27 Crore below the prior year comparable period. The reduction is in part the driven by the reduction of debt post the W&M divestment and the Company's focus on debt / interest rate management. The Company is in the process of revamping its banking facilities to drive advantageous terms on its borrowings leveraging the relationships that Diageo Plc. enjoys with global banks, and therefore is already seeing a reduction in rates which is manifested in the lower costs.
- Subsequent to the quarter end, the Company has sold 8,500,000 equity shares held by the Company in United Breweries Limited (constituting 3.21% of the paid up equity share capital of United Breweries Limited) for a total sale consideration net of brokerage of Rs. 872 Crores (against book value of Rs. 15 Crores).
- Previous period's figures have been regrouped / reclassified as per the current period's presentation for the purpose of comparability.

End

(*) Refer to para 6 of the Notes to the Accounts

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Review report to the Board of Directors of United Spirits Limited

1. We have reviewed the accompanying statement of unaudited financial results ('the Statement') of United Spirits Limited ('the Company') for the quarter ended 30 June 2015 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the Management and have not been reviewed by us. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review. Attention is drawn to the fact that the figures for the quarter ended 31 March 2015 as reported in the Statement are the balancing figures between audited figures in respect of the full previous financial year and the published year to date figures up to the end of the third quarter of the previous financial year as adjusted for the effects of the demerger stated in note 2 to the financial results as applicable. Also, the figures up to the end of the third quarter of the previous financial year has only been reviewed and not subjected to audit.

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Internal 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 financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. As stated in Notes 5 (a) and (d) to the Statement; and as qualified in our report dated 27 May 2015 with respect to the audited financial results for the year ended 31 March 2015; certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of Rs 6,495.5 million (including interest claimed) was provided in the financial statements for the financial year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of Rs 216 million was made for interest claimed during the year. The Company has not made provision for any unclaimed interest on these amounts.

During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature (hereafter "the Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

Based on its current knowledge, the Management believes that the provisions made with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. The Board has directed the Management to expeditiously review the Additional Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial results. Pending such review of the Additional Matters and transactions with Additional Parties, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the financial results including the impact on the opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate.

4. As stated in Note 6 to the Statement; and as qualified in our report dated 27 May 2015 with respect to the audited financial results for the year ended 31 March 2015; as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the Securities and Exchange Board of India ("SEBI") and applicable provisions of the Companies Act, 2013 (hereafter "the Act") the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting (hereafter "the EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification/direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification/direction from the SEBI, during the year ended 31 March 2015, the Company has recognised the underlying expenses pursuant to these agreements upto 28 November 2014 aggregating Rs 1,357 million. The Company has not recognised charges arising out of non-approved agreements aggregating Rs 949 million for the period from 29 November 2014 to 30 June 2015 (including Rs 463 million for the quarter ended 30 June 2015). Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to Rs 74 million to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the resolution of this matter, we are unable to comment on the accounting treatment of the expenses under the agreement, balance due to/from the respective counterparties and any other implications resulting from such non-approval.

5. As stated in note 7 to the Statement; and as qualified in our report dated 27 May 2015 with respect to the audited financial results for the year ended 31 March 2015; the Managerial remuneration for the year ended 31 March 2015 aggregated Rs 65 million and Rs 153 million towards remuneration of the Managing Director and Chief executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO), respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. The Company is in the process of obtaining the requisite approval from the Central Government for such excess remuneration. In the absence of the required approval, we are unable to assess the impact of such excess remuneration on the financial results of the Company.

6. Without qualifying our opinion, we draw attention to the following matters stated previously in our auditor's report dated 27 May 2015 with respect to the audited financial results for the year ended 31 March 2015 as emphasis of matters with respect to:

(a) Note 5 (b) to the Statement, which states that, during the year ended 31 March 14, various pre-existing loans / advances / deposits (together with interest) due from United Breweries (Holdings) Limited ("UBHL") by the Company and its subsidiaries aggregating Rs 13,374 million on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL. As per the terms of the said loan agreement, an amount of Rs 1,911 million (gross of tax) was payable by UBHL to the Company towards the interest payable as of January 2015. However, the Company is yet to receive such interest payment from UBHL. The Company has received a letter from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different Courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka. As a result of the above and other relevant factors, during the year ended 31 March 2015, the Company has provided the remaining principal balance of the loan aggregating Rs 9,955 million (in addition to the Rs 3,303 million that was provided for during the year ended 31 March 2014) and has not recognised interest income of Rs 317 million for the quarter ended 30 June 2015;

(b) Note 3 (a) to the Statement, wherein it is stated that Tern Distilleries Private Limited, a wholly-owned subsidiary of the Company ("TERN") will be amalgamated with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date 1 April 2013 ("TERN Scheme"). The entire operations of TERN comprise transactions with the Company. The net impact on the stand-alone financial performance of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company approved the TERN Scheme at their EGM held on 18 March 2014 and the approval by the Board for Industrial and Financial Reconstruction is awaited. Pending approval of the TERN Scheme, no effect has been given in the Statement;

(c) Note 3 (b) to the Statement, wherein it is stated that SW Finance Company Limited, a wholly-owned subsidiary of the Company will be amalgamated with the Company with the appointed date 1 January 2014 ("SWFCL Scheme") pursuant to the applicable provisions of the Companies Act, 1956, and subject to the sanction of the Honourable Jurisdictional High Courts/any such competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, SWFCL will stand merged with the Company. Pending approval of the SWFCL Scheme, no effect has been given in the Statement;

(d) Note 9 to the Statement, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs 6,217 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs 6,280 million including prepayment penalty of Rs 40 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the instalments and interest as per the loan agreement. The Company has disputed the same and a case is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of Rs 474 million towards principal and interest on the said loan which the Company contested in the High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company plans to engage with the bank to commence discussions. Pending closure of this matter, the loan amount and balance available in cash credit account is presented on net basis in the Statement as at 31 March 2015;

(e) Note 8 to the Statement, wherein it is stated that (i) the Company has received a notice from the Ministry of Corporate Affairs for an inspection, under section 206(5) of the Act, of the books of accounts and other books and papers of the Company; (ii) the Company has received a notice under Section 131 of the Income Tax Act, 1961; and (iii) the Company has received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports;

(f) Note 5 to the Statement, wherein it is stated that the Inquiry noted certain regulatory non-compliances with respect to the Companies Act, 1956, the listing agreement with the stock exchanges in India and other regulations as mentioned in the said note, and that the financial impact of these non-compliances on the Company were estimated by Management to be not material; and

7. Based on our review conducted as above, except for matters stated in paragraphs 3, 4, and 5 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results for the quarter ended 30 June 2015 prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

for **B S R & Co. LLP**
Chartered Accountants
Firm registration number: 101248W/W-100022

Sunil Gaggar
Partner
Membership number: 104315

Place: Mumbai
Date: 23 July 2015