**UNITED SPIRITS**
A DIAGEO Group Company

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

Tel +91 80 3985 6500
+91 80 2221 0705
Fax +91 80 3985 6862
www.unitedspirits.in

October 12, 2016

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

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051.
Scrip Code: MCDOWELL-N

Dear Sir/Madam,

**Sub: Additional Financial information in respect to transition to Indian Accounting Standards (Ind AS).**

Further to the disclosure of financial results for the quarter ended June 30, 2016 reported on July 26, 2016, we wish to provide additional information on the same in the enclosed document. These disclosures are with respect to financial numbers provided earlier as per Accounting Standards being converted to Ind AS for the six month ended September 30, 2015 and for the nine month ended December 31, 2015. There has been no change in the financial results declared earlier for those quarters and this has been provided as additional information to be read in conjunction with the financial results declared for the quarter ended June 30, 2016 and for previous financial periods of financial year 2015-16.

Kindly take note of the above on your record.

Thanking you,

Yours faithfully,
for UNITED SPIRITS LIMITED,

V. Ramachandran
Company Secretary

Enclosed: As Above

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# Additional financial information in respect to transition to Indian Accounting Standards (Ind AS)

Pursuant to the Companies (Indian Accounting Standards) Rules 2015 (Ind AS) issued by the Ministry of Corporate Affairs (MCA), United Spirits Limited ("the Company" or "USL") has restated the financial results for the quarter ended June 30, 2015, six month ended September 30, 2015, nine month ended December 31, 2015, year ended March 31, 2016 in accordance with the requirements of Indian Accounting Standards (Ind AS) ("Results").

Restated financial results for the above mentioned periods are as follows:

**Reconciliation of financial results from Indian GAAP to Ind AS for the quarter ended June 30, 2015**

| *Rs Crore* | F16 Q1 as per IGAAP | TMU Gross up* | A&P expenses | Other | **F16 Q1 as per Ind AS** |
|---|---|---|---|---|---|
| Gross sales | 5,146 | 361 | (78) | 20 | **5,449** |
| Excise duty | (3,158) | (426) | | (16) | **(3,600)** |
| Net sales** | 2,006 | (65) | (78) | 4 | **1,866** |
| COGS | (1,146) | 76 | | (19) | **(1,089)** |
| Gross profit | 860 | 11 | (78) | (15) | **777** |
| Staff cost | (165) | | | 2 | **(163)** |
| Marketing spend | (217) | | 64 | | **(152)** |
| Other Overheads | (276) | (11) | 14 | | **(274)** |
| EBITDA | 202 | | | (13) | **188** |
| FX / Other Income | 15 | | | | **15** |
| Depreciation | (25) | | | | **(25)** |
| EBIT | 192 | | | (13) | **178** |
| Interest | (128) | | | | **(128)** |
| PBT before exceptional items | 63 | | | (13) | **50** |
| Exceptional items | - | | | | **-** |
| PBT | 63 | | | (13) | **50** |
| Tax | (43) | | | 5 | **(39)** |
| PAT | 20 | | | (8) | **12** |
| Other comprehensive income | | | | (58) | **(58)** |
| Total comprehensive income/(loss) | 20 | | | (66) | **(46)** |

**Reconciliation of financial results from Indian GAAP to Ind AS for the six month ended September 30, 2015**

| *Rs Crore* | F16 H1 as per IGAAP | TMU Gross up* | A&P expenses | Sale of equity investment | Other | **F16 H1 as per Ind AS** |
|---|---|---|---|---|---|---|
| Gross sales | 10,361 | 729 | (172) | | (123) | **10,795** |
| Excise duty | (6,251) | (888) | | | 85 | **(7,054)** |
| Net sales** | 4,151 | (159) | (172) | | (38) | **3,782** |
| COGS | (2,388) | 181 | | | 17 | **(2,190)** |
| Gross profit | 1,763 | 21 | (172) | | (20) | **1,592** |
| Staff cost | (332) | | | | 4 | **(328)** |
| Marketing spend | (384) | | 143 | | | **(241)** |
| Other Overheads | (528) | (21) | 29 | | | **(520)** |
| EBITDA | 519 | | | | (16) | **503** |
| FX / Other Income | 21 | | | | | **21** |
| Depreciation | (49) | | | | | **(49)** |
| EBIT | 491 | | | | (16) | **475** |
| Interest | (238) | | | | | **(238)** |
| PBT before exceptional items | 253 | | | | (16) | **237** |
| Exceptional items | 799 | | | (854) | | **(55)** |
| PBT | 1,052 | | | (854) | (16) | **182** |
| Tax | (103) | | | | 4 | **(99)** |
| PAT | 949 | | | (854) | (12) | **83** |
| Other comprehensive income | | | | | 15 | **15** |
| Total comprehensive income/(loss) | 949 | | | (854) | 3 | **98** |

**Reconciliation of financial results from Indian GAAP to Ind AS for the nine month ended December 31, 2015**

| *Rs Crore* | F16 P9 YTD as per IGAAP | TMU Gross up* | A&P expenses | Sale of equity investment | Other | **F16 P9 YTD as per Ind AS** |
|---|---|---|---|---|---|---|
| Gross sales | 16,647 | 1,204 | (299) | | (98) | **17,454** |
| Excise duty | (9,898) | (1,474) | | | 70 | **(11,302)** |
| Net sales** | 6,802 | (270) | (299) | | (28) | **6,205** |
| COGS | (3,946) | 304 | | | 4 | **(3,638)** |
| Gross profit | 2,856 | 34 | (299) | | (24) | **2,567** |
| Staff cost | (507) | | | | 6 | **(501)** |
| Marketing spend | (686) | | 252 | | | **(434)** |
| Other Overheads | (874) | (34) | 47 | | | **(861)** |
| EBITDA | 789 | | | | (18) | **771** |
| FX / Other Income | 16 | | | | | **16** |
| Depreciation | (75) | | | | | **(75)** |
| EBIT | 730 | | | | (18) | **712** |
| Interest | (346) | | | | | **(346)** |
| PBT before exceptional items | 384 | | | | (18) | **366** |
| Exceptional items | 757 | | | (854) | | **(97)** |
| PBT | 1,141 | | | (854) | (18) | **269** |
| Tax | (151) | | | | 2 | **(149)** |
| PAT | 990 | | | (854) | (16) | **120** |
| Other comprehensive income | | | | | 16 | **16** |
| Total comprehensive income/(loss) | 990 | | | (854) | | **136** |

**Reconciliation of financial results from Indian GAAP to Ind AS for the year ended March 31, 2016**

| *Rs Crore* | F16 as per IGAAP | TMU Gross up* | A&P expenses | Sale of equity investment | Other | **F16 as per Ind AS** |
|---|---|---|---|---|---|---|
| Gross sales | 22,242 | 1,589 | (338) | | (35) | **23,458** |
| Excise duty | (13,210) | (1,995) | | | 23 | **(15,182)** |
| Net sales** | 9,092 | (406) | (338) | | (12) | **8,336** |
| COGS | (5,306) | 453 | | | (8) | **4,861** |
| Gross profit | 3,786 | 47 | (338) | | (20) | **3,475** |
| Staff cost | (654) | | | | 19 | **(635)** |
| Marketing spend | (966) | | 289 | | | **(677)** |
| Other Overheads | (1,286) | (47) | 49 | | | **(1,285)** |
| EBITDA | 880 | | | | (1) | **879** |
| FX / Other Income | 106 | | | | | **106** |
| Depreciation | (102) | | | | 1 | **(101)** |
| EBIT | 884 | | | | | **883** |
| Interest | (447) | | | | | **(447)** |
| PBT before exceptional items | 437 | | | | | **436** |
| Exceptional items | 736 | | | (854) | | **(117)** |
| PBT | 1,173 | | | (854) | | **319** |
| Tax | (192) | | | | (1) | **(193)** |
| PAT | 981 | | | (854) | (1) | **126** |
| Other comprehensive income | | | | | **5** | **6** |
| Total comprehensive income/(loss) | 981 | | | **(854)** | **4** | **132** |

**TMU gross up adjustment falls into two types which is the recognition of sales made by the TMU which increases net sales and one is the sale of product by the TMU to USL which reduces net sales.*
**Includes other operating income

**Certain key highlights of the impact of Ind AS on USL**

There are certain areas of significant differences between the Indian GAAP standards as applicable to USL and the corresponding Ind AS standards that now apply to USL. The main areas of the differences impacting USL have been discussed below:

- **Accounting changes for third party manufacturing units fall into the following two types:**

  - Under Ind AS 18 on 'Revenue' there is explicit guidance on assessment of principal-agent relationships. The company has assessed its relationship with the third party manufacturing units (TMUs) and has identified that the TMUs act as the Company's agents and all their activities are carried out on behalf of USL. Accordingly, the results of the Company's activities with the TMUs which were hitherto being shown net in the financial statements of USL will henceforth have to be shown gross i.e. the revenues, costs, Inventory and Net assets of the TMUs activities relating to USL will be grossed up in the financial statements of USL and appropriate adjustments have been made in that regard. However, there is no impact at the profit after tax level as a result of these adjustments.
  - USL has an arrangement with certain TMUs where the goods produced by the TMU are sold back to USL and USL sells the finished product in the market. On these sales, the TMU is required to charge excise duty to USL. However, when these goods are sold by USL towards customers, the excise duty paid by USL is included in the sale price. Under the erstwhile Indian GAAP, USL has accounted these purchases (including excise duty paid) as purchase of stock in trade and sales to its customers (including recovering of excise duty) as net sales. However, under Ind AS TMUs are treated as agents of USL, net manufacturing cost (excluding excise duty) has been treated as COGS and sales amount has been bifurcated into net sales and excise duty on sales, this is only a reclassification and does not impact the profit of the company.

- **Discounts, rebates and certain sales promotions activities linked to revenue transactions:** Under Indian GAAP, all expenditure pertaining to promotional activities were included within expenses and trade discounts were netted against revenue. Under Ind AS, certain expenses and discounts which were hitherto included in expenses will have to be set off against revenue as these are in the nature of additional discounts/consideration paid to customers.

- **Fair valuation of investments:** In Indian GAAP, long term investments are measured at cost less diminution in value that is other than temporary. Under Ind AS, investment in equity instruments (other than in subsidiaries, associates and joint arrangements) are measured at fair value with changes in fair value accounted in either in other comprehensive income (OCI) or Statement of Profit and Loss. USL has chosen to record investments in equity shares at fair value through OCI. Gain on sale of UBL Shares moved from P&L to Opening Reserve as on 1 April 2015.

- **Other comprehensive income (OCI):** Under Ind AS, any investments that the company makes in equity instruments of another company (other than in a subsidiary, associate or joint venture) is required to be fair valued. Accordingly, at each period end, the company would need to record the investment in its balance sheet at its fair market value. The Company has a policy choice of recording the movements in fair values, both positive and negative, either in the profit and loss account or in the other comprehensive income (OCI). The Company has chosen to record such movements in OCI in order to reduce any volatility in the profit and loss account.

- Other Ind AS impact includes reversal of borrowing cost on maturing spirits, reclassification of actuarial gain or loss to other comprehensive income, etc.

- There is a change in point of revenue recognition for sales made to government corporations as a result of our transition to Ind AS.

- SEBI has come up with another circular on September 20, 2016 clarifying that income from operations may be disclosed inclusive of excise duty, instead of net of excise duty, as specified in the Companies Act, 2013. Company has taken note of this circular and evaluating the impact and comply with the same when reporting its second quarter results in due course.