

United Spirits Limited

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July 9, 2016

BSE Limited

Phiroze Jeejeebhoy Towers

Dalal Street, Mumbai 400 001**Scrip code — 532432****National Stock Exchange of India Ltd**

Exchange Plaza, Plot no. C/1, G Block

Bandra-Kurla Complex, Bandra (E)

Mumbai 400 051**Scrip Code — MCDOWEL – N**

Sir,

Re: Disclosure under regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI circular CIR/CFD/CMD/4/2015 dated September 9, 2015

Pursuant to regulation 30 read with SEBI circular no CIR/CFD/CMD/4/2015 dated September 9, 2015 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Regulations), this is to inform you about the outcome of the meeting of USL's board of directors (Board) held on July 9, 2016 in relation to the additional inquiry into certain matters referred to in the Company's financial statements for each of the financial years ended March 31, 2015 and 2016.

Background

As mentioned in the notice to the stock exchanges issued by our Company on April 25, 2015, the Board initiated an inquiry (Initial Inquiry), which disclosed (among other things), past instances of improper transactions concerning USL and its subsidiaries in India, including what appeared, *prima facie*, to be diversions of funds from USL and its subsidiaries to various UB Group companies, including Kingfisher Airlines Limited (KFA).

The documents reviewed during the Initial Inquiry contained references to certain additional parties (Additional Parties) and matters (Additional Matters) indicating the possible existence of improper other transactions. While such references could not be fully analysed during the Initial Inquiry, the nature of these references raised concerns regarding the propriety of the underlying transactions.

Therefore, after the Initial Inquiry was concluded, and as disclosed in the Company's financial results and financial statements from time to time, the Board mandated that USL's managing director and chief executive officer (MD & CEO) conduct further inquiry (Additional Inquiry) into historical transactions involving the Additional Parties and Additional Matters, to determine whether transactions with these Additional Parties or involving these Additional Matters also suffered from improprieties. Pending the Additional Inquiry, certain qualifications were made in USL's audited financial statements for the years ended March 31, 2015 and March 31, 2016, as the auditors were unable to comment on the nature of those matters, the provisions established therefor or any further potential impact on the financial statements.

Pursuant to the directions of the Board, the MD & CEO engaged independent experts with specialised forensic skills to assist with this Additional Inquiry and provide inputs and expert advice in connection therewith. Notwithstanding the limitations posed by lack of access to complete documentation despite best efforts, the Additional Inquiry has now concluded and the MD & CEO has submitted his report, taking into account the inputs and expert advice of the independent experts, to the Board.

Outcome of Board Meeting

At its meeting held on July 9, 2016, the Board discussed and considered in detail the report submitted by the MD & CEO in relation to the Additional Inquiry.

The Board noted that while only a court or concerned regulatory authority would be in a position to make final determinations as to fault or culpability, the Additional Inquiry *prima facie* reveals further instances of actual or potential fund diversions amounting to approximately Rs 913.5 crores (using exchange rates as on 31 March 2015),¹ as well as other potentially improper transactions involving USL and its Indian and overseas subsidiaries amounting to approximately Rs 311.8 crores (using exchange rates as on 31 March 2015).² These transactions occurred during the review period covered by the Additional Inquiry, i.e., from October 2010 to July 2014 (Review Period, which was substantially the same as the period covered by the Initial Inquiry), although certain transactions appear to have been initiated in years prior to the Review Period.

These improper transactions identified in the Additional Inquiry involved, in most cases, the diversion of funds to overseas and Indian entities that appear to be affiliated or associated with USL's former non-executive chairman, Dr Vijay Mallya. The overseas beneficiaries or recipients of these funds include entities such as Force India Formula One, Watson Ltd, Continental Administrative Services, Modall Securities Limited, Ultra Dynamix Limited and Lombard Wall Corporate Services Inc, in each of which Dr Mallya appears to have a material, direct or indirect, interest. The Indian beneficiaries or recipients of the funds identified by the Additional Inquiry included, in most cases, KFA.

Almost all of the amounts identified in the Additional Inquiry have been previously provided for or expensed in the financial statements of USL or its subsidiaries for prior periods (including by way of provisions made in relation to impairment in the value of or loss on sale of USL's overseas subsidiaries), as a matter of prudence and in the absence of asset backup. USL's management has recommended to the Board that a further provision of Rs 21.7 crores should

¹ Approximately Rs 950.4 crores using March 31, 2016 exchange rates.

² Approximately Rs 326 crores using March 31, 2016 exchange rates.

be made, for the value of certain improper transactions identified by the Additional Inquiry, which have not been previously expensed or provided. Based on the information currently available, the Company believes that no further provisions are required at this stage.

In light of these findings, and based on expert advice received, including from senior counsel in India, the Board directed that copies of the MD & CEO's report (including the Additional Inquiry report) be provided to concerned authorities. This is being done forthwith. The Board further resolved that the Company would cooperate with all relevant authorities in relation to these matters.

Copies of the said report will also be provided for necessary action to USL's statutory auditor, following their appointment at the forthcoming annual general meeting scheduled for July 14, 2016, as well as to auditors of the relevant subsidiaries.

In connection with the recovery of funds that are *prima facie* identified by the Additional Inquiry to have been diverted from the Company, the Board directed that the Company should conduct a detailed review of each case of fund diversion to assess the Company's legal position and then take such action as is necessary to recover its funds from the relevant parties and individuals, to the extent possible. The board further noted that the mutual release agreed with Dr Mallya, and announced on February 25, 2016, does not extend to matters arising out of the Additional Inquiry.

The Board directed the MD&CEO to take appropriate action in relation to employees named in the Additional Inquiry. In relation to on-going relationships with counter-parties involved in the improper transactions identified by the Additional Inquiry, the Board directed a further review of such relationships.

Following its discussion of the report in relation to the Additional Inquiry, the Board reiterated its commitment to the highest standards of corporate governance, compliance and ethical conduct.

Yours faithfully,

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



**V Ramachandran
Company Secretary**