UNITED SPIRITS
A DIAGEO Group Company

United Spirits Limited
Registered Office:
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May 30, 2017

Ref: BM 30052017

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: Intimation of results for the quarter and year ended March 31, 2017.

The Board of Directors of the Company at their meeting held today, has considered and approved the Standalone financial results of the Company for the quarter ended March 31, 2017 and the Standalone and Consolidated Audited Financial Results of the Company for the year ended March 31, 2017 ("AFR"). The above results along with the Auditors report for the financial year ended March 31, 2017 are enclosed. The auditors have issued an unmodified opinion on the Standalone and Consolidated financial statements. The enclosed results are as prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015.

A Press release on the results is enclosed.

The enclosed financial results will also be uploaded on the website of the Company.

Thanking you,

Yours Faithfully,
For United Spirits Limited

V Ramachandran
Company Secretary

Enclosed:

1. Standalone un-audited financial results for the quarter ended March 31, 2017 and Standalone and Consolidated AFR for the year ended March 31, 2017
2. Standalone and Consolidated Auditors Report on the above.
3. Press Release.

Corporate Identity Number : L01551KA1999PLC024991
Email: contactus@unitedspirits.in

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Statement of Results for the quarter and year ended March 31, 2017 (Rs. in Millions)

		Standalone					Consolidated	
		3 months ended March 31, 2017	3 months ended December 31, 2016	3 months ended March 31, 2016	Year ended March 31, 2017	Previous year ended March 31, 2016	Year ended March 31, 2017	Previous year ended March 31, 2016
		Refer Note 16	Unaudited	Refer Note 16	Audited		Audited	
1	**Income from operations**							
	Net sales / Income from operations	64,742	70,334	59,309	253,542	233,846	256,827	237,997
	Other operating income	110	98	64	446	596	741	1,212
	Total income from operations	**64,852**	**70,432**	**59,373**	**253,988**	**234,442**	**257,568**	**239,209**
2	**Expenses:**							
	a) Cost of materials consumed	10,180	13,298	11,133	46,342	48,409	46,755	47,370
	b) Purchase of stock-in-trade	496	699	244	2,058	1,956	1,974	1,793
	c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	630	232	730	444	(1,959)	568	(1,591)
	d) Excise duty	44,602	45,879	38,939	168,512	151,960	169,393	154,260
	e) Employee benefits expense	1,210	1,615	1,418	6,674	6,427	6,882	6,800
	f) Depreciation and amortisation expense	418	313	271	1,323	1,017	1,886	1,572
	g) Other expenses:							
	i) Advertisement and sales promotion	1,645	2,042	1,801	6,667	6,138	6,734	6,154
	ii) Others	3,438	3,732	3,950	13,465	12,647	15,224	14,620
	Total expenses	**62,619**	**67,810**	**58,486**	**245,485**	**226,595**	**249,416**	**230,978**
3	**Profit / (loss) from operations before other income, finance costs and exceptional items (1-2)**	**2,233**	**2,622**	**887**	**8,503**	**7,847**	**8,152**	**8,231**
4	a) Other income	185	346	729	1,111	848	1,053	436
	b) Exchange difference - gain / (loss), net	(42)	10	165	(116)	209	(146)	(157)
5	**Profit / (loss) before finance costs and exceptional items (3+4)**	**2,376**	**2,978**	**1,781**	**9,498**	**8,904**	**9,059**	**8,510**
6	Finance costs	853	922	1,009	3,690	4,469	3,751	4,574
7	**Profit / (loss) after finance costs but before exceptional items (5-6)**	**1,523**	**2,056**	**772**	**5,808**	**4,435**	**5,308**	**3,936**
8	Exceptional items (net) (Refer Note 15)	(2,908)	-	(317)	(3,262)	(1,280)	(3,681)	(274)
9	**Profit / (loss)before tax (7 + 8)**	**(1,385)**	**2,056**	**455**	**2,546**	**3,155**	**1,627**	**3,662**
10	Tax expense	(343)	580	441	847	1,936	697	2,228
11	**Net profit / (loss) from ordinary activities after tax (9-10)**	**(1,042)**	**1,476**	**14**	**1,699**	**1,219**	**930**	**1,434**
12	Other Comprehensive Income							
	A. Items that will not be reclassified to profit or loss	584	(42)	(73)	499	86	497	75
	B. Items that will be reclassified to profit or loss	-	-	-	-	-	(29)	215
13	**Total Comprehensive Income (11+12)**	**(458)**	**1,434**	**(59)**	**2,198**	**1,305**	**1,398**	**1,724**
14	Share of Profit / (loss) of Associate						-	-
15	Non Controlling Interest in Profit / (Loss)						(71)	52
16	Net Profit / (Loss) after taxes, minority Interest and share of profit /(loss) of associates (13+14+15)	**(458)**	**1,434**	**(59)**	**2,198**	**1,305**	**1,469**	**1,672**
17	Paid-up equity share capital (Face value Rs.10)	1,453	1,453	1,453	1,453	1,453	1,453	1,453
18	Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year				15,687	14,382	14,894	13,221
19	**Earnings per share of Rs.10/- each:**							
	a) Basic	(7.17)	10.16	0.10	11.69	8.39	7.06 *	9.75 *
	b) Diluted	(7.17)	10.16	0.10	11.69	8.39	7.06 *	9.75 *

[* In calculating the weighted average number of outstanding equity shares during the year under consolidated financials, Company has reduced its own shares held by USL Benefit Trust (of which the Company is sole beneficiary)].

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Statement of assets and liabilities as at March 31, 2017

(Rs. in Millions)

	Standalone		Consolidated	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Assets				
Non-current assets				
Property, plant and equipment	11,751	10,749	14,554	13,768
Capital work-in-progress	851	2,449	1,993	2,821
Investment properties	-	-	-	672
Goodwill	-	-	680	1,125
Intangible assets	121	13	3,932	3,975
Financial assets				
Investments	-	82	-	82
Loans	124	903	-	-
Other financial assets	1,310	526	1,311	526
Investments in subsidiaries	9,354	9,831	-	-
Deferred tax assets (net)	1,241	1,539	1,781	1,900
Advance income tax (net)	2,886	1,906	3,256	2,243
Other non-current assets	3,484	2,930	3,961	3,302
Total non-current assets	31,122	30,928	31,468	30,414
Current assets				
Inventories	18,538	18,999	19,276	19,519
Financial assets				
Investments	-	11	1	12
Trade receivables	29,605	23,140	29,534	23,032
Cash and cash equivalents	439	48	785	1,287
Bank balances other than cash and cash equivalents	84	79	87	81
Other financial assets	1,729	3,235	1,047	2,690
Other current assets	6,132	5,419	5,522	5,955
Assets classified as held for sale	316	66	1,239	303
Total current assets	56,843	50,997	57,491	52,879
Total assets	87,965	81,925	88,959	83,293
Equity and liabilities				
Equity				
Share capital	1,453	1,453	1,453	1,453
Other equity				
Reserves and surplus	17,925	15,619	16,403	14,826
Other reserves	-	68	-	68
Equity attributable to the owners of the Group	19,378	17,140	17,856	16,347
Non-controlling interests	-	-	(25)	56
Total equity	19,378	17,140	17,831	16,403
Non-current liabilities				
Financial liabilities				
Borrowings	8,569	7,057	8,697	7,305
Other financial liabilities	-	84	-	392
Provisions	422	683	442	683
Total non-current liabilities	8,991	7,824	9,139	8,380
Current liabilities				
Financial liabilities				
Borrowings	28,272	29,941	29,069	29,969
Trade payables	11,798	10,018	12,247	10,189
Other financial liabilities	9,153	7,528	9,575	8,227
Provisions	2,615	2,359	2,752	2,383
Current tax liabilities (net)	3,317	3,477	3,317	3,479
Other current liabilities	4,441	3,638	4,864	4,135
Liabilities directly associated with assets classified as held for sale	-	-	165	128
Total current liabilities	59,596	56,961	61,989	58,510
Total liabilities	68,587	64,785	71,128	66,890
Total Equity and liabilities	87,965	81,925	88,959	83,293

Notes:

(a) The standalone and consolidated Balance sheets as at March 31, 2016 prepared under erstwhile GAAP were audited by the Company's previous statutory auditors.

(b) Adjustments for Ind AS to the standalone and consolidated Balance sheets as at March 31, 2016 (including presentation reclassifications) have been audited by the Company's current statutory auditors.

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United Spirits Limited

Statement of Financial Results for the quarter and year ended March 31, 2017

Notes:

1. United Spirits Limited (hereinafter referred to as "the Company" or "USL") together with its subsidiaries, its associates and its controlled trust (collectively "the Group") which is primarily engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing/ brand franchise. The Company classifies the business principally based on the Company's brand in two segments namely "Prestige and Above" brands and "Popular" brands. Since both these segments meet the aggregation criteria as per the requirements of Ind AS 108 on 'Operating segments', the management considers these business activities as a single reportable segment. Accordingly, disclosure of segment information has not been furnished.

2. This statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable. Beginning April 1, 2016, the Company has for the first time adopted Ind AS with a transition date of April 1, 2015.

(a) The reconciliation of net profit or loss reported in accordance with erstwhile Generally Accepted Accounting Principles (GAAP) to total comprehensive income in accordance with Ind AS given below:

Amount in INR millions

	Standalone		**Consolidated**
Particulars	**3 months ended March 31, 2016**	**Previous year ended March 31, 2016**	**Previous year ended March 31, 2016**
Net profit/ (loss) as reported under earlier Indian GAAP (refer Note (i) below)	(90)	9,812	9,689
Ind AS Adjustments (refer Note (ii) below) **Add/(Less):**			
Net Impact on de-recognition of borrowing cost included in value of inventory at the beginning and end of the period	9	(178)	(178)
Net Impact of reversal of revenue at period beginning and end along with the related cost of goods sold	33	(26)	(26)
Actuarial Loss on defined benefit plans for the period considered under Other Comprehensive Income (including tax impact thereon).	63	101	93
Reversal of Amortization of Intangible Assets	2	6	6
Fair valuation of Financial liabilities at amortised cost	-	-	(17)
Reversal of FCTR for subsidiaries sold	-	-	460
Recognition of deferred tax	-	-	(97)
Gain on sale of investment considered under Other Comprehensive Income / opening retained earnings as at April 1 2015 based on fair valuation.	-	(8,536)	(8,536)
Deferred tax credit in respect of the above adjustments	10	53	53
Stamp duty on erstwhile amalgamations	(13)	(13)	(13)
Net profit as per Ind AS	**14**	**1,219**	**1,434**

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Particulars	Standalone		Consolidated
	3 months ended March 31, 2016	Previous year ended March 31, 2016	Previous year ended March 31, 2016
Other Comprehensive Income			
Actuarial (loss) / gains on employee benefit schemes	(63)	(101)	(113)
Exchange differences on translation of foreign operations	-	-	215
Fair value gain/(loss) on investments in equity	(10)	187	187
Other Comprehensive Income	**(73)**	**86**	**289**
Total Comprehensive Income	**(59)**	**1,305**	**1,724**

(b) The reconciliation of total equity as previously reported (referred to as "Previous GAAP") and Ind AS is as per the table given below:

Amount in INR millions

Particulars	Standalone	Consolidated
	March 31,2016	March 31,2016
Share capital	1,453	1,453
Other equity as per erstwhile GAAP (excluding FCTR)	16,346	15,928
Foreign currency translation reserve as per previous GAAP [refer Note (iii) below]	10,274	498
Total equity (shareholder's funds) as per previous GAAP as at March 31, 2016 (Refer note (i) below)	**28,073**	**17,879**
Ind AS adjustment on account of allowance created for loan given to overseas subsidiary [refer Note (ii) and (iii) below]	(10,274)	-
	17,799	**17,879**
Other Ind AS adjustments: (Refer note (ii) below)		
Effect of consolidation of controlled trust	-	(1,156)
Reversal of brand amortization	4	4
Fair valuation of investments in equity shares	68	68
Net impact on equity on reversal of revenue	(109)	(109)
De-recognition of borrowing cost included in value of inventory	(713)	(713)
Stamp duty on erstwhile amalgamations	(188)	(188)
Fair valuation of Financial liabilities at amortised cost	-	57
Recognition of deferred tax	-	370
Adjustment for Non-controlling Interests	-	(38)
Impairment of Investment properties	-	(92)
Tax effects of above adjustments	279	265
Total adjustments	**(10,933)**	**(1,532)**
Total equity as per Ind AS as at March 31, 2016	**17,140**	**16,347**

(i) The results for the three months and year ended March 31, 2016 have been reviewed/ audited, as appropriate, by the Company's erstwhile statutory auditors.

(ii) Ind AS adjustments have been audited/ reviewed by the Company's current statutory auditors.

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(iii) FCTR represents accumulated foreign exchange differences on restatement of loan given to USL Holdings Limited BVI, an overseas subsidiary. On transition to Ind AS, the FCTR has been reset to nil by transfer to total equity. The loan to USL Holdings Limited BVI which was not considered as doubtful under erstwhile GAAP to the extent of balance in FCTR, has now been provided for as doubtful.

3. As disclosed in the financial statements for the years ended March 31, 2015 and March 31, 2016, the Board initiated an inquiry ("Initial Inquiry"), which was completed in April 2015. The Initial Inquiry revealed (amongst 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"). All such diverted amounts were provided for by the Company in the financial statements for the year ended March 31, 2015. In connection with the funds that were identified by the Initial Inquiry to have been diverted from the Company and/or its subsidiaries, the Company executed settlement agreements with ten parties as of March 31, 2017. These settlements resulted in write-off of receivables balance of Rs. 358 million and Rs. Nil for the year and quarter ended March 31, 2017 (year ended Mar 31, 2016: Rs. 5,666 million) outstanding from such parties, corresponding write back of provisions against such receivables amounting to Rs.370 million and Rs. Nil for the year and quarter ended March 31, 2017 (year ended Mar 31, 2016: Rs. 6,209 million) and interest claims from such parties amounting to Rs. 28 million and Rs. Nil for the year and quarter ended March 31, 2017 (year ended Mar 31, 2016: Nil) all of which have been treated as exceptional items during the year (refer Note 15). Settlements with four parties have not been reached as yet. Discussions with two of these parties are continuing and the Company is hopeful of reaching settlements with them. Discussions with the third party have turned adverse and the matter appears likely to manifest itself into a dispute with claims and counter-claims by both parties. The last remaining party identified in the Initial Inquiry has ceased to be in business and therefore it is not possible to reach any settlement with this party. As all the amounts including the likely exposure of counter-claims have been fully provided for, there is no further material exposure to the Company.

4. The documents reviewed during the Initial Inquiry contained references to certain additional parties ("Additional Parties") and matters ("Additional Matters") indicating possible existence of other improper 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 a further inquiry ("Additional Inquiry") into historical transactions involving the Additional Parties and Additional Matters, to determine whether transactions with these Additional Parties and/or involving these Additional Matters also suffered from improprieties. Pending the Additional Inquiry, and as disclosed in the audited financial statements for the years ended March 31, 2015 and March 31, 2016, certain audit qualifications were made in respect of USL's financial statements for those financial years, as the statutory auditors were unable to comment on the nature of those matters, the provisions established therefore, or any further potential impact on the financial statements. Pursuant to the Board's directions, 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, in July 2016 the MD & CEO submitted his report, taking into account the inputs and expert advice of the independent experts, to the Board. The Board, at its meeting held on July 9, 2016, discussed and considered in detail the report submitted by the MD & CEO in relation to the Additional Inquiry.

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(a) 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,* revealed further instances of actual or potential fund diversions arising from improper transactions amounting to approximately Rs. 9,135 million using March 31, 2015 exchange rates (approximately Rs.9,504 million using March 31, 2016 exchange rates) as well as other potentially improper transactions involving USL and its Indian and overseas subsidiaries amounting to approximately Rs.3,118 million using March 31, 2015 exchange rates (approximately Rs.3,260 million using March 31, 2016 exchange rates). 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.

(b) The improper transactions identified in the Additional Inquiry involved, in most cases, 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.

(c) Most 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 provision made in relation to impairment in the value of or loss on sale of USL's overseas subsidiaries). With an additional charge of Rs. 217 million in respect of a write down in the value of certain items of plant and equipment made in the quarter ended June 30, 2016 and disclosed under exceptional items (Refer Note 15), there are no other improper transactions identified by the Additional Inquiry, which have not been expensed or provided. At this stage, it is not possible for the management to estimate the financial implications, if any, arising out of potential non-compliance with applicable laws on the Company.

(d) In connection with the recovery of funds that are prima facie identified by the Additional Inquiry to have been diverted from the Company and its subsidiaries, pursuant to a detailed review of each case of fund diversion to assess the legal position, the Company has filed some civil suits before the appropriate jurisdictional courts for recoveries and is in the process of finalising certain others The Company has also taken appropriate action in relation to employees named in the Additional Inquiry. In respect of on-going relationships with counter-parties involved in the improper transactions identified by the Additional Inquiry, the Company has undertaken a detailed review of such relationships and ascertained whether they were entered into on an arms-length basis and with appropriate controls and has taken appropriate action on the basis of these findings.

(e) During the course of the Additional Inquiry, certain other matters pertaining to historical transactions (carried out during the Review Period of October 2010 to July 2014) were identified, which raised concerns in relation to internal controls regarding vendor invoices with certain vendors and in relation to certain historical sales promotion schemes. The amounts involved were charged off in the relevant prior financial years. Management has carried out a further review which indicates that the said matters did not continue post the Review Period.

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5. As disclosed in the financial statements for the years ended March 31, 2015 and March 31, 2016, the Company had pre-existing loans/ deposits/ advances/accrued interest that were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ("UBHL") and its subsidiaries aggregating Rs.13,374 million and that 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 ("Loan Agreement"). The Company has already made provision in prior financial years for the entire principal amount due, of Rs. 13,374 million, and for the accrued interest of Rs. 846 million up to March 31, 2014. The Company has also not recognised interest income on said loan aggregating to Rs. 3,748 million for the period from April 1, 2014 to March 31, 2017 (Rs. 317 million for the quarter ending March 31, 2017). Company has set-off payable to UBHL under the trademark agreement amounting to Rs. 56 million and Rs. 290 million for the quarter and year ended March 31, 2017 (quarter and year ended March 31, 2016 Rs. 249 million, cumulatively Rs. 539 million) against the interest receivable from UBHL and consequently corresponding allowance for interest receivable has been reversed to 'Other Income" in the related periods.

The Company is seeking redressal of these disputes and claims through arbitration under the terms of the Loan Agreement and the arbitration proceedings have commenced. On February 7, 2017, the High Court of Karnataka ordered, *inter alia*, that UBHL be wound up, and that the Official Liquidator be appointed as the liquidator of UBHL. The Company has subsequently secured leave from the Hon'ble High Court of Karnataka to continue the arbitration proceedings.

6. As disclosed in the financial statements for the year ended March 31, 2016 the Company entered into a settlement agreement with its former non-executive chairman, Dr. Mallya ("Agreement"), pursuant to which he resigned from his positions as a director and chairman of the Company and its subsidiaries. In connection with the settlement, Dr. Mallya procured or undertook to procure the termination by the relevant counterparties of certain historical agreements to which the Company was party and which were not approved by the shareholders of the Company at the extraordinary general meeting ("EGM") held on November 28, 2014. Pursuant to the Agreement, the Company entered into mutual release and termination agreements with all the respective counterparties of these historical agreements, save one. The Company has executed an Agreement with the said remaining party by paying a sum of Rs.75 million ("Amount") during the quarter ended September 30, 2016. The Company made a claim against Dr. Mallya seeking refund of the Amount in terms of the Agreement. Since the refund of the Amount was not forthcoming from Dr. Mallya, the Company has sought indemnification and made a claim against Diageo Plc., for the refund amount which has been recorded as 'Receivable from related parties' under Other current Financial assets as at March 31, 2017 and has been realized post the balance sheet date. There is therefore no financial impact on the results of the Company. As previously disclosed by the Company, the Company and Dr. Mallya agreed a mutual release in relation to civil claims arising out of the Initial Inquiry. The Agreement does not extend to matters covered by the Additional Inquiry, any claims connected with the UBHL loan, or any recovery proceedings by USL connected with the Additional Inquiry.

As part of the Agreement with Dr Mallya, the Company, *inter alia*, also entered into certain principles, pursuant to which Dr. Mallya or a party nominated by him would have a limited period option to purchase up to 13 non-core properties from the Company. The Company secured independent valuation for these properties and had shared the same with Dr. Mallya. Though the Company received call notices from a party nominated by Dr. Mallya indicating its intention to purchase four non-core properties from the Company, the said call notices have since expired due to inaction by the party nominated by Dr. Mallya. As a result, the period of this option has now expired with Dr. Mallya (or his nominee) not purchasing any of the non-core properties. The Company now intends to divest these non-core assets at market value

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through a transparent process, under the overall supervision and direction of the concerned Board committee.

The Company had received certain undertakings from Dr. Mallya in relation to termination of the Shareholders' Agreement. During the quarter ended September 30, 2016, on seeking a further update on the status of the termination of the Shareholders' Agreement by UBHL, the Company was informed by Dr. Mallya that UBHL would not be seeking leave of court to terminate the Shareholders' Agreement.

7. The managerial remuneration for the financial year ended March 31, 2015 aggregating Rs. 63 million and Rs. 153 million to the Managing Director & Chief Executive Officer (MD & CEO") and the former Executive Director and Chief Financial Officer ("ED & CFO"), respectively, was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 ("Act") by Rs. 51 million to the MD & CEO and Rs. 134 million to the former ED & CFO. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. The Central Government, vide letters dated April 28, 2016 did not approve the Company's application for the waiver of the excess remuneration. On May 24, 2016 the Company resubmitted the applications, along with detailed explanations, to the Central Government to reconsider approving the waiver of the excess remuneration paid. In light of the findings from the Additional Inquiry as set out in Note 4 above, the Company has withdrawn its application for approval of excess remuneration paid to the former ED & CFO of the Company through a letter dated July 12, 2016. The Company is awaiting response from the Central Government to its resubmitted application in respect of the MD & CEO. As notified to the Central Government, the Company initiated steps seeking refund of excess remuneration paid to the former ED & CFO. Since the refund was not forthcoming, the Company has, on January 5, 2017, filed a suit before the jurisdictional court to recover the excess remuneration paid by the Company to the former ED & CFO.

8. The Company has received and continues to receive letters and notices from various regulatory authorities and other government authorities. The Company has responded to the respective letters and notices and is cooperating with the regulatory authorities. Amongst others, the following letters and notices have been received and/ or responded to by the Company:

a) From the Securities Exchange Board of India ("SEBI"), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement entered into by the Company with Dr. Mallya;
b) From the Ministry of Corporate Affairs ("MCA") in relation to its inspection conducted under section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013;
c) From the Enforcement Directorate ("ED") in connection with agreements entered into with Dr. Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002;
d) From the Company's authorised dealers in relation to certain queries from Reserve Bank of India ("RBI") with regard to remittances made in prior years to subsidiaries of the Company and branch in the United Kingdom and past acquisition of the Whyte and Mackay group; and
e) From the Central Bureau of Investigation (CBI) relating to the Initial Inquiry and Additional Inquiry.

9. As disclosed in the financial statements for the years ended March 31, 2015 and March 31, 2016, during the year ended March 31, 2014, the Company decided to prepay a term loan taken in earlier years under a consortium from bank, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary) with the security trustee. The

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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 its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the stand taken by the bank and its writ petition is pending before the Hon'ble High Court of Karnataka. On completion of the loan tenure on March 31, 2015, the bank demanded an amount of Rs. 474 million towards principal and interest on the said loan, which the Company contested in the Hon'ble High Court of Karnataka. As per the order of the Hon'ble High Court of Karnataka directing the parties to consider a negotiated settlement, the Company engaged with the bank to commence discussions towards settlement. In August 2015, the bank obtained an *ex parte* injunction in proceedings between the bank and KFA, before the Debt Recovery Tribunal, Bangalore ("DRT"), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed their objections against such *ex parte* order passed in proceedings in which neither the Company nor the USL Benefit Trust are or have been enjoined as parties. In December 2015, the Hon'ble High Court of Karnataka issued a stay order restraining the bank from dealing with the above mentioned pledged shares until further orders. Thereafter in February 2016, the Company received a notice from the bank seeking to recall the loan and demanding a sum of Rs. 459 million, and the Company also received a subsequent notice in March 2016 issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Hon'ble High Court of Karnataka, in the writ proceedings, the Hon'ble High Court directed that if the Company deposited the sum of Rs. 459 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets including shares pledged with the Bank till disposal of the original writ petition filed by the Company before the Hon'ble High Court of Karnataka. During the quarter ended June 30, 2016, the Company accordingly deposited the said sum and replied to the bank's various notices in light of the above. The aforesaid amount has been accounted as other non-current financial assets. On January 19, 2017, the DRT dismissed the application filed by the bank seeking the attachment of USL Benefit Trust shares. The Company on March 13, 2017 issued a legal notice to the bank asking them to provide the 'no-objection' for the release of the pledged shares, withdrawing the notices under SARFESI and also to pay compensation on account of loss of interest, value of differential share price, loss of reinvestment opportunity, reputational damage etc to which the bank has responded denying the claim. The Company is in the process of sending an appropriate rejoinder and is also making efforts to expedite the hearing of its Writ Petition before the Karnataka High Court.

10. Consequent to a voluntary disclosure made by the Company to a customer regarding prices historically charged by the Company to said customer being inconsistent with trading terms that apply between the Company and the said customer, the Company received a claim during the quarter ended September 30, 2016 and thereafter a debit note for the period upto December 31, 2016, in the quarter ended March 31, 2017. After considering an accrual of Rs. 250 million which was made on this account in the financial year ended March 31, 2016, an additional liability has been recorded for the balance amount of Rs. 3,030 million (including potential liability of Rs. 130 million for the period January to March 2017) during the current quarter and year ended March 31, 2017 of which Rs. 460 million relate to claims for current year sales which has been recorded as reduction from Revenue from Operations and Rs. 2,570 million pertaining to earlier years which has been disclosed as exceptional item in the financial results. In respect of some of the specific products the prices demanded by the Customer result in the Company incurring a foreseeable loss and accordingly a provision for the onerous element in such contracts amounting to Rs. 75 million has been made and included in exceptional item for the quarter and year ended March 31, 2017. The aggregate amount included in exceptional items is therefore Rs. 2,645 million for the quarter and year ended March 31, 2017 (Refer Note 15).

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11. The Bihar State Government by its notification dated April 5, 2016 imposed a ban on trade and consumption of Indian Made Foreign Liquor and foreign liquor in the state of Bihar with immediate effect. Writ petitions were filed with the Hon'ble High Court of Patna challenging the said notification and seeking payment for supplies made by the Company and its tie-up manufacturing units to Bihar State Beverages Corporation Limited ("BSBCL"). By an order dated September 30, 2016, the Hon'ble High Court of Patna set aside the notification dated April 5, 2016 and Section 19(4) of the Bihar Excise Act, 1915, as ultra vires the Constitution of India. Subsequently, the Bihar Government re-imposed prohibition by notifying a new legislation i.e. The Bihar Prohibition and Excise Act, 2016, on October 02, 2016. The Bihar Government also preferred a special leave petition ("SLP") before the Hon'ble Supreme Court against the judgment of the Hon'ble High Court of Patna pursuant to which the Hon'ble Supreme Court has stayed the order of the Hon'ble High Court of Patna. During the quarter ended December 31, 2016, the Company filed an application seeking compensation from the Government of Bihar towards losses suffered as a result of arbitrary imposition of prohibition.

    On January 24, 2017, the Government of Bihar issued a Notification prohibiting the manufacture of alcoholic beverages in the State (w.e.f April 1, 2017) the consequences of which criminalises the continued storage of all stock of raw material and finished goods in the State of Bihar (including the stock lying at BSBCL). Pursuant to an application by Confederation of Indian Alcoholic Beverage Companies (CIABC) in the Supreme Court, the Bihar Government extended this timeline to April 30, 2017 and the Hon'ble Supreme Court has extended this to July 31,2017, to allow additional time for companies to transfer said materials out of the state of Bihar. In light of the challenges in carrying out this unique and one time exercise, CIABC has sought an extension of the deadline from the Supreme Court.

    The Company has initiated the process of transferring such stocks of raw materials and finished goods outside the state of Bihar. The 'billed stocks' supplied by the Company pursuant to valid orders for sales which are currently in the possession of BSBCL, are also in the process of being transferred out of the state of Bihar. The Company will take appropriate steps in due course to persuade the Bihar Government to refund the statutory duties i.e. VAT and Excise duty paid in respect of the said stocks aggregating to Rs. 553 million which is considered good and receivable and disclosed as other non- current financial assets. The Company has made a provision of Rs. 90 million and Rs. 267 million towards inventory reprocessing charges for the quarter and year ended March 31, 2017, respectively. Further, a provision of Rs. 110 million has been made towards employee retrenchment during the quarter and year ended March 31, 2017. Total amounts of Rs. 200 million and Rs. 377 million for the quarter and year ended March 31, 2017 respectively has been disclosed as an exceptional item under Note 15.

12. During the year the agreement with Deutsche Bank Trust Company Americas, Depository for global depository shares (GDSs), was terminated by virtue of which, the GDSs have been cancelled and have resulted in underlying shares. Notwithstanding this development, the number of shares outstanding or issued and subscribed in the share capital of the Company remains unchanged at Rs 1,453 million being 145,327,743 equity shares of Rs 10 each fully paid up and the Company's shares continue to be listed with the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

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13. Effective December 1, 2016, the provisions of Sick Industrial Companies Act, 1985 was repealed. As a result, Board of Industrial Finance and Reconstruction (BIFR) ceases to exist and all proceedings before BIFR stand automatically dropped. The Company and its four subsidiary companies namely, Pioneer Distilleries limited, Sovereign Distilleries limited, Tern Distilleries Private Limited and Four Seasons Wines Limited had been referred to BIFR due to the erosion of more than 50/100% of the net worth of those companies. As a result, the requirement to report erosion of net worth of the Company to the shareholders does not arise.

14. On January 15, 2016, the Company entered into an agreement for the sale of its entire holding in United Spirits Nepal Private Limited of 67,716 equity shares (constituting 82.46% of the paid up equity share capital of United Spirits Nepal Private Limited). The sale is subject to various regulatory approvals (both in India and Nepal) and other conditions precedent which are normal for such transactions, and which the Company is in the process of seeking. Pending such approvals, the company's investment in United Spirits Nepal Private Limited has been included in Assets classified as held for sale under Current assets as at March 31, 2017 and as at March 31, 2016.

15. Details of exceptional items:

Amount in INR millions

Particulars	Standalone		Consolidated
	3 months ended March 31, 2017	**Year ended March 31, 2017**	**Year ended March 31, 2017**
Provision towards matters arising consequent to prohibition in the state of Bihar (Refer Note 11)	(200)	(377)	(377)
Write down in the value of certain equipment (Refer Note 4 c)	-	(217)	(217)
Impairment in the value of Investment in subsidiaries	(882)	(882)	-
Allowances for doubtful receivable from related party written back	819	819	-
Customer claim (Refer Note 10)	(2,645)	(2,645)	(2,645)
Reversal of provision against claims (Refer Note 3)	-	28	28
Allowance for doubtful receivables/ advances/ deposits written back	-	370	370
Bad and doubtful advances, deposits and trade receivables written off	-	(358)	(358)
Impairment of Goodwill on consolidation	-	-	(444)
Provision on advances to associates	-	-	(38)
Total income/ (expense)	**(2,908)**	**(3,262)**	**(3,681)**

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16. The figures for the quarter ended March 31, 2017 and the corresponding quarter ended in the previous year as reported in the accompanying statement of financial results are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures up to the third quarter of the relevant financial year, as adjusted for certain regroupings/reclassification. The statutory auditors have issued an unmodified audit report on standalone and consolidated financial statements for the year ended March 31, 2017 which has been filed with the relevant stock exchanges and is also available on the Company's website.

17. The Board has not recommended any dividend on the equity shares of the Company for the year ended March 31, 2017.

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

19. This Statement of financial results has been reviewed by the audit committee of the Board on May 29, 2017 and approved by the Board of Directors at its meeting held on May 30, 2017.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Bengaluru
May 30, 2017

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Bangalore

Price Waterhouse & Co Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF UNITED SPIRITS LIMITED

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying standalone Ind AS financial statements of United Spirits Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

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7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

9. We draw attention to the following matters:

   a) As explained in Note 44 to the standalone Ind AS financial statements, the Managerial remuneration for the year ended March 31, 2015 included amounts paid to managerial personnel in excess of the limits prescribed under the provisions of Schedule V to the Act by INR 51 million to the Managing Director and Chief Executive Officer (MD & CEO) and by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). With regard to excess remuneration paid to MD & CEO the Company has made the necessary application, along with the required clarifications, for Central Government approval, response to which is awaited. Further, in respect of excess remuneration paid to the former ED & CFO the Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover the excess remuneration.

   b) As explained in Note 41 to the standalone Ind AS financial statements, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters , the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed actual or potential fund diversions arising from improper transactions aggregating to INR 9,135 million and other potentially improper transactions aggregating to INR 3,118 million involving the erstwhile non-executive Chairman of the Company and entities that appear to be affiliated or associated with the said non-executive Chairman. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Company or its subsidiaries in earlier periods except for INR 217 million which has been accounted for as exceptional item during the year (Refer Note 41(c) to the standalone Ind AS financial statements). Management is currently unable to estimate the financial impact on the Company, if any, arising from potential non-compliances with applicable laws in respect of the above.

   c) As explained in Note 46 to the standalone Ind AS financial statements, the Company is in litigation with a bank ('the Bank') that continues to retain the pledge of certain assets of the Company and of the Company's shares held by USL Benefit Trust (of which the Company is sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Honourable High Court of Karnataka (the 'Court'). The Court has directed the Bank not to deal with the pledged assets of the Company (including the shares held by USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Company in the Court.

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d) Note 48 to the standalone Ind AS financial statements which describes the uncertainty related to the outcome of Special Leave Petition (the "SLP") filed by the Bihar State Government with the Honourable Supreme court, in relation to the ban imposed by the Bihar State Government on trade and consumption of Indian Made Foreign Liquor and Foreign Liquor in the State of Bihar with effect from April 5, 2016 which was set aside by Honourable High Court of Patna in its judgment dated September 30, 2016. Further, consequent to the notification dated January 24, 2017 issued by the Bihar State Government, which as a consequence, criminalises the continued storage of all stock of raw materials and finished goods in the State of Bihar, the Company is in the process of transferring its stock of raw materials and finished goods lying in its premises and the 'billed stocks' currently in the possession of Bihar State Beverages Corporation Limited, outside the state of Bihar. The statutory duties (VAT and Excise duty) paid on such stocks aggregating to INR 553 million (including receivable from tie-up manufacturing units) have been considered as good and receivable from the Bihar State Government and is disclosed as Other non-current asset.

e) Note 45 to the standalone Ind AS financial statements:
   i. regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Company's Initial Inquiry and Additional Inquiry and certain aspects of the agreement between the Company and its erstwhile non-executive chairman to which the Company has responded;
   ii. regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Companies Act, 2013 by Ministry of Corporate Affairs/ Registrar of Companies, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company has responded;
   iii. regarding the ongoing investigation by the Enforcement Directorate under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company has responded; and
   iv. regarding clarifications sought by Authorised Dealers in relation to certain queries from Reserve Bank of India with regard to remittances made in prior years to subsidiaries and branch of the Company in the United Kingdom and past acquisition of the Whyte and Mackay group, to which the Company has responded.

f) Note 61 to the standalone Ind AS financial statements which states that the Company has adopted Ind AS for the financial year commencing from April 1, 2016, and accordingly, the financial statements have been prepared by the Company's Management in compliance with Ind AS.

Our opinion is not qualified in respect of the matters described above.

Other Matter

10. The comparative financial information of the Company for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in the standalone Ind AS financial statements, are based on the previously issued statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by the predecessor auditor who expressed modified opinions vide their reports dated May 26, 2016 and May 27, 2015, respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Company on transition to Ind AS have been audited by us.

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Report on Other Legal and Regulatory Requirements

11. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Section 143(11) of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

12. As required by Section 143 (3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books of account.

   c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

   e) The matters described in sub-paragraphs (b), (c), (d) and (e) of paragraph 9 above titled "Emphasis of Matter", in our opinion, may have an adverse effect on the functioning of the Company.

   f) On the basis of the written representations received from the directors as on March 31, 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

   g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

   h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

      i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2017 on its financial position in the standalone Ind AS financial statements – Refer Notes 18, 42, 46, 48 and 54 to the standalone Ind AS financial statements;

      ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses – Refer Note 60 to the standalone Ind AS financial statements;

      iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2017; and

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iv. The Company has provided requisite disclosures in the standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 62 to standalone Ind AS financial statements. However, as stated in Note 62 to the standalone Ind AS financial statements, amounts aggregating to INR 145,500 as stated by the management were received from transactions which were not permitted.

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

Pradip Kanakia
Partner
Membership Number: 039985

Stockholm
May 30, 2017

Price Waterhouse & Co Chartered Accountants LLP

Annexure A to Independent Auditors' Report

Referred to in paragraph 12(g) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2017

Report on the Internal Financial Controls under Section 143(3)(i)of the Act

1. We have audited the internal financial controls over financial reporting of United Spirits Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

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Annexure A to Independent Auditors' Report

Referred to in paragraph 12(g) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2017

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

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

Pradip Kanakia
Partner
Membership Number: 039985

Stockholm
May 30, 2017

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The title deeds of immovable properties, as disclosed in Note 3.1 (Property, plant and equipment) and Note 13 (Assets classified as held for sale) to the standalone Ind AS financial statements, are held in the name of the Company except as disclosed below:

Amounts in INR million

Particulars	Freehold land	Leasehold land	Buildings
Property, plant and equipment:			
Number of cases	9	3	Various
Gross Carrying amount as at March 31, 2017	262	48	465
Net Carrying amount as at March 31, 2017	262	27	436
Assets classified as held for sale:			
Number of cases	-	-	5
Gross and Net carrying amount as at March 31, 2017	-	-	39

The Company is in the process of collating and identifying title deeds.

ii. The physical verification of inventory excluding stocks with third parties and stock in transit have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. There are no companies covered in the register maintained under Section 189 of the Act for the purpose of loans granted by the Company.

iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of a guarantee provided by it. The Company has not granted any loans or made any investments to the parties covered under Sections 185 and 186 of the Act.

v. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 73, 74, 75 and 76 or any other relevant provisions of the Act and the Rules framed thereunder to the extent notified, with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been

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passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

vi. The Central Government of India has not specified the maintenance of cost records under Section 148(1) of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing undisputed statutory dues in respect of tax deducted at source, tax collected at source, service tax, employee state insurance, provident fund, sales tax, valued added tax, krishi kalyan cess and swachh bharat cess though there has been delays in some cases and is regular in depositing other undisputed statutory dues, including, duty of customs , duty of excise, and other material statutory dues, as applicable, with the appropriate authorities. The undisputed dues in respect of stamp duty relating to earlier years have not been deposited till date. The extent of the arrears of statutory dues outstanding as at March 31, 2017, for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of dues	Amount (INR million)	Period to which the amount relates#	Due date#	Date of Payment
Maharashtra Stamp Act, 1958	Stamp duty and interest thereon	200	September 2006	September 2006	Not yet paid

\# Interest pertains to the period from September 2006 to March 31, 2017.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax, duty of customs, duty of excise, entry tax and value added tax as at March 31, 2017 which have not been deposited on account of a dispute are disclosed in Appendix 1.

viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank as at the balance sheet date. The Company does not have any loans or borrowings from Government or dues to debenture holders as at the balance sheet date.

ix. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. In our opinion, and according to the information and explanations given to us, term loans have been applied for the purposes for which they were obtained during the year.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, except for the matter mentioned below, for which the Management has taken appropriate steps, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by the Management.

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As explained in Note 41 to the standalone Ind AS financial statements and in Paragraph 9 (b) of our report of even date on the standalone Ind AS financial statements, upon completion of the Initial Inquiry, which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed improper transactions indicating actual or potential fund diversions arising from improper transactions aggregating to INR 9,135 million and other potentially improper transactions aggregating to INR 3,118 million involving the erstwhile non-executive Chairman of the Company and entities that appear to be affiliated or associated with the said erstwhile non-executive Chairman. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Company or its subsidiaries in earlier periods except for INR 217 million which has been accounted for as exceptional item during the year (Refer Note 41 (c) to the Ind AS standalone financial statements).

xi. Read with paragraph 9 (a) of our report of even date on the Ind AS standalone financial statements, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone Ind AS financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures, specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

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

PMKanaw

Pradip Kanakia
Partner
Membership Number: 039985

Stockholm
May 30, 2017

Price Waterhouse & Co Chartered Accountants LLP

Appendix 1 – Particulars of tax dues not deposited on account of a dispute*
Referred to in paragraph vii. (b) of Annexure B to the Independent Auditors' Report to the members of United Spirits Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2017

Amounts in INR million

Name of the statute	Nature of dues	Disputed Amount	Paid Amount	Unpaid Amount	Period to which the amount relates (Financial Year)	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	762	762	-	2005-06 to 2008-09	Assessing Officer of Income Tax
Income Tax Act, 1961	Income Tax	4,996	-	4,996	2012-13	Dispute Resolution Panel
Income Tax Act, 1961	Income Tax	2,165	376	1,789	2003-04, 2005-06, 2007-08 to 2012-13	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	2,529	-	2,529	1988-89 to 1992-93, 1995-96, 1999-00 to 2003-04, 2006-07 to 2008-09 and 2011-12	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1,679	-	1,679	1993-94 to 2004-05	High Courts
Customs Act, 1962	Custom Duty	5	-	5	1995-96 to 1997-98	High Courts
Service Tax - Finance Act 1994	Service Tax	293	31	262	2004-05 to 2006-07, 2009-10 and 2010-11	Customs, Excise and Service Tax Appellate Tribunal
Service Tax - Finance Act 1994	Service Tax	118	116	2	2004-05 and 2015-16	High Courts
Central Excise Act, 1944	Central Excise Duty	1,095	70	1,025	1993-94 and 2000-01	Customs, Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Central Excise Duty	1	-	1	1994-95 and 1995-96	Commissioner of Central Excise
Respective State Excise Acts	State Excise	69	3	66	1983-84, 2001-02 to 2003-04	Additional Commissioner of Excise
Respective State Excise Acts	State Excise	9	-	9	1993-94, 2003-04, 2009-10, 2012-13, 2013-14 and 2016-17	Additional District Magistrate
Respective State Excise Acts	State Excise	29	4	25	1995-96, 2001-02, 2003-04 to 2007-08, 2011-12 to 2013-14	State Taxation Tribunal

* As represented by management.

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Price Waterhouse & Co Chartered Accountants LLP

Appendix 1 – Particulars of tax dues not deposited on account of a dispute*

Referred to in paragraph vii. (b) of Annexure B to the Independent Auditors' Report to the members of United Spirits Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2017

Amounts in INR million

Name of the statute	Nature of dues	Disputed Amount	Paid Amount	Unpaid Amount	Period to which the amount relates (Financial Year)	Forum where the dispute is pending
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	13	-	13	1992-93 to 1998-99	Civil Court
Respective State Excise Acts	State Excise	2	1	1	1994-95, 1998-89 and 2014-15	Collector of State Excise
Respective State Excise Acts	State Excise	124	11	113	1963-64 to 1972-73, 1976-77 and 1977-78, 1980-81 to 1991-92, 1993-94 to 1996-97, 1998-99, 2001-02, 2003-04 to 2007-08, 2012-13, 2015-16 and 2016-2017	Commissioner of State Excise
Respective State Excise Acts	State Excise	2	-	2	1994-95	District Magistrate and Collector of State Excise
Respective State Excise Acts	State Excise	541	187	354	1972-73 and 1973-74, 1979-80 to 2015-16	High Courts
Respective State Excise Acts	State Excise	6	-	6	1994-95	State Taxation Tribunal
Respective State Excise Acts	State Excise	13	-	13	1986-87, 1992-93, 1997-98, 1998-99 and 2015-16	Superintendent of State Excise
Respective State Excise Acts	State Excise	1,234	75	1,159	1971-72, 1996-97 to 2011-12	Supreme Court
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	10	-	10	2003-04 to 2013-14	Additional Commissioner of Commercial Taxes
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	119	85	34	1982-83 2000-01, 2004-05 and 2005-06, 2007-08, 2009-10 to 2012-13	Commercial Tax Appellate Tribunal

* As represented by management.

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Price Waterhouse & Co Chartered Accountants LLP

Appendix 1 – Particulars of tax dues not deposited on account of a dispute*

Referred to in paragraph vii. (b) of Annexure B to the Independent Auditors' Report to the members of United Spirits Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2017

Amounts in INR million

Name of the statute	Nature of dues	Disputed Amount	Paid Amount	Unpaid Amount	Period to which the amount relates (Financial Year)	Forum where the dispute is pending
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	4	-	4	1993-94, 2003-04, 2005-06 and 2006-07	Commercial Taxes Appellate and Revisional Board
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	106	-	106	1994-95 to 1996-97, 2005-06 to 2007-08, 2010-11 and 2012-13	Assistant Commissioner of Commercial Taxes
Karnataka sales Tax Act, 1957 and Karnataka Value Added Tax Act, 2003	Sales Tax/ Value Added Tax	43	-	43	1995-96 and 2006-07	Civil Court
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	32	-	32	1990-00, 2010-11 to 2014-15	Commercial Tax Officer
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	773	-	773	1978-79, 1980-81 and 1981-82, 1984-85 and 1985-86, 2002-03 and 2015-16	Commissioner of Commercial Taxes
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	271	-	271	1985-86, 2003-04, 2006-07 to 2011-12, 2013-14, and 2016-17	Deputy Commissioner of Commercial Taxes
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	182	-	182	1978-79 to 1986-87, 1988-89 and 1989-90, 1992-93 and 1993-94, 1996-97 to 2002-03, 2005-06, 2007-08 and 2009-10 to 2012-13	High Courts
Central and Respective State Sales Tax Acts	Sales Tax/ Value Added Tax	342	-	342	1999-00 to 2012-13	Joint Commissioner of Commercial Taxes
Respective State Entry Tax Act	Entry Tax	8	-	8	2007-08, 2012-13 and 2013-14	Additional Commissioner of Commercial Taxes

* As represented by management.

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Appendix 1 – Particulars of tax dues not deposited on account of a dispute*

Referred to in paragraph vii. (b) of Annexure B to the Independent Auditors' Report to the members of United Spirits Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2017

Amounts in INR million

Name of the statute	Nature of dues	Disputed Amount	Paid Amount	Unpaid Amount	Period to which the amount relates (Financial Year)	Forum where the dispute is pending
Respective State Entry Tax Act	Entry Tax	12	-	12	2005-06	Commercial Taxes Appellate and Revisional Board
Respective State Entry Tax Act	Entry Tax	150	28	122	1987-88, 2000-01, 2004-05, 2007-08, 2009-10 to 2011-12	Commercial Tax Appellate Tribunal
Respective State Entry Tax Act	Entry Tax	0	0	0	1989-90	Assessing Officer
Respective State Entry Tax Act	Entry Tax	37	-	37	2010-11 to 2012-13	Deputy Commissioner of Commercial Taxes
Respective State Entry Tax Act	Entry Tax	58	2	56	1984-86, 2005-06 and 2012-13	High Courts
Respective State Entry Tax Act	Entry Tax	7	1	6	2007-10	Joint Commissioner of Commercial Taxes
Respective State Entry Tax Act	Entry Tax	249	33	216	2003-04 to 2013-14	Supreme Court

* As represented by management.

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Price Waterhouse & Co Chartered Accountants LLP

INDEPENDENT AUDITORS' REPORT

To the Members of United Spirits Limited

Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of United Spirits Limited ("hereinafter referred to as the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), and associate company; (refer Note 50(a) to the attached consolidated financial statements), comprising of the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flow Statement for the year then ended and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the Group including its associate in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

4. We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

Price Waterhouse & Co Chartered Accountants LLP, LLPIN AAC-4362, FRN 304026E/E-300009, Bangalore

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5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraphs 9 and 11 under the section titled "Other Matters" below, other than the unaudited financial information as certified by the management of the Holding Company and referred to in paragraph 10 under the section titled "Other Matters" below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and its associate as at March 31, 2017, and their consolidated total comprehensive income (comprising of consolidated profit and consolidated other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Emphasis of Matter

8. We draw attention to the following matters:

    a) As explained in Note 44 to the Consolidated Ind AS financial statements, the Managerial remuneration for the year ended March 31, 2015 included amounts paid to managerial personnel of the Holding Company in excess of the limits prescribed under the provisions of Schedule V to the Act by INR 51 million to the Managing Director and Chief Executive Officer (MD & CEO) and by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). With regard to excess remuneration paid to MD & CEO the Holding Company has made the necessary application, along with the required clarifications, for Central Government approval, response to which is awaited. Further, in respect of excess remuneration paid to the former ED & CFO the Holding Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover the excess remuneration.

    b) As explained in Note 41 to the Consolidated Ind AS financial statements, upon completion of the Initial Inquiry, which identified references to certain additional parties and certain additional matters, the MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, had carried out an Additional Inquiry that revealed actual or potential fund diversions arising from improper transactions aggregating to INR 9,135 million and other potentially improper transactions aggregating to INR 3,118 million involving the erstwhile non-executive Chairman of the Holding Company and entities

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that appear to be affiliated or associated with the said non-executive Chairman. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Holding Company or its subsidiaries in earlier periods except for INR 217 million which has been accounted for as exceptional item during the year (Refer Note 28 to the Consolidated Ind AS financial statements). The Management of the Holding Company is currently unable to estimate the financial impact on the Group, if any, arising from potential non-compliances with applicable laws in respect of the above.

c) As explained in Note 46 to the Consolidated Ind AS financial statements, the Holding Company is in litigation with a bank ('the Bank') that continues to retain the pledge of certain assets of the Holding Company and of the Holding Company's shares held by USL Benefit Trust (of which the Holding Company is sole beneficiary) despite the Holding Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Honourable High Court of Karnataka (the 'Court'). The Court has directed the Bank not to deal with the pledged assets of the Holding Company (including the shares held by USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Holding Company in the Court.

d) Note 48 to the Consolidated Ind AS financial statements which describes the uncertainty related to the outcome of Special Leave Petition (the "SLP") filed by the Bihar State Government with the Honourable Supreme court, in relation to the ban imposed by the Bihar State Government on trade and consumption of Indian Made Foreign Liquor and Foreign Liquor in the State of Bihar with effect from April 5, 2016 which was set aside by Honourable High Court of Patna in its judgment dated September 30, 2016. Further, consequent to the notification dated January 24, 2017 issued by the Bihar State Government, which as a consequence, criminalises the continued storage of all stock of raw materials and finished goods in the State of Bihar, the Holding Company is in the process of transferring its stock of raw materials and finished goods lying in its premises and the 'billed stocks' currently in the possession of Bihar State Beverages Corporation Limited, outside the state of Bihar. The statutory duties (VAT and Excise duty) paid on such stocks aggregating to INR 553 million (including receivable from tie-up manufacturing units) have been considered as good and receivable from the Bihar State Government and is disclosed as Other non-current asset.

e) Note 45 to the Consolidated Ind AS financial statements:
   i. regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Holding Company's Initial Inquiry and Additional Inquiry and certain aspects of the Agreement between the Holding Company and its erstwhile non-executive chairman to which the Holding Company has responded;
   ii. regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Companies Act, 2013 by Ministry of Corporate Affairs/ Registrar of Companies, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Holding Company has responded;
   iii. regarding the ongoing investigation by the Enforcement Directorate under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Holding Company has responded; and
   iv. regarding clarifications sought by Authorised Dealers in relation to certain queries from Reserve Bank of India with regard to remittances made by the Holding Company in prior years to subsidiaries and a branch in the United Kingdom and past acquisition of the Whyte and Mackay group, to which the Holding Company has responded.

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f) Note 57 to the Consolidated Ind AS financial statements which states that the Group has adopted Ind AS for the financial year commencing from April 1, 2016, and accordingly, the financial statements have been prepared by the Holding Company's Management in compliance with Ind AS.

Our opinion is not qualified in respect of the matters described above.

Other Matters

9. We did not audit the financial statements and financial information of five subsidiaries and one trust controlled by the Holding Company and incorporated in India, whose financial statements reflect total assets of INR 10,853 million and net assets of INR 8,723 million as at March 31, 2017, total revenue of INR 6,945 million, total comprehensive income (comprising of loss and other comprehensive income) of INR (704) million and net cash outflows amounting to INR 508 million for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial information have been audited by other auditors whose reports have been furnished to us by the Management of the Holding Company, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of Section 143(3) of the Act insofar as it relates to the aforesaid subsidiaries and trust is based solely on the reports of the other auditors.

10. The consolidated Ind AS financial statements also include the Group's share of total comprehensive income (comprising of loss and other comprehensive income) of INR Nil for the year ended March 31, 2017 as considered in the consolidated Ind AS financial statements, in respect of one associate company whose financial information has not been audited by us. Such financial information is unaudited and has been furnished to us by the Management of Holding Company, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of this associate company and our report in terms of Section 143(3) of the Act insofar as it relates to the aforesaid associate, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management of the Holding Company, such financial information is not material to the Group.

11. The financial statements of fourteen subsidiaries located outside India, included in the consolidated Ind AS financial statements, which constitute total assets of INR 1,341 million and net assets of INR 836 million as at March 31, 2017, total revenue of INR 2,642 million, total comprehensive income (comprising of loss and other comprehensive income) of INR (110) million and net cash outflows amounting to INR 172 million for the year then ended have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion on the consolidated Ind AS financial statements and our report on Other Legal and Regulatory Requirements below, is not qualified in respect of the matters specified in paragraphs 9, 10 and 11 with respect to our reliance on the work done and the reports of the other auditors and the financial statements/ financial information certified by the Management.

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Bangalore

12. The comparative financial information of the Group for the year ended March 31, 2016 and the transition date opening balance sheet as at April 1, 2015 included in these consolidated Ind AS financial statements are based on the previously issued consolidated statutory financial statements for the years ended March 31, 2016 and March 31, 2015 prepared in accordance with the Companies (Accounting Standards) Rules 2006 (as amended) which were audited by the predecessor auditor who expressed a modified opinion vide reports dated May 26, 2016 and May 27, 2015 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the Group on transition to the Ind-AS have been audited by us.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

13. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.

(b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group and the associate company incorporated in India including relevant records relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries included in the Group and the associate company incorporated in India including relevant records relating to the preparation of the consolidated Ind AS financial statements.

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

(e) The matters described in sub-paragraphs (b), (c), (d) and (e) of Paragraph 8 above titled "Emphasis of Matter", in our opinion, may have an adverse effect on the functioning of the Holding Company.

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LLPIN AAC-4362
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Bangalore

Price Waterhouse & Co Chartered Accountants LLP

(f) On the basis of the written representations received from the Directors of the Holding Company as on March 31, 2017 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiary companies and associate company incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

(h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us.

i. The consolidated Ind AS financial statements disclose the impact, if any, of pending litigations as at March 31, 2017 on the consolidated financial position of the Group and its associate company – Refer Notes 18, 42, 46, 48, and 54 to the consolidated Ind AS financial statements;

ii. The Group and its associate did not have any long-term contracts including derivative contracts as at March 31, 2017 for which there were any material foreseeable losses – Refer Note 61 to the consolidated Ind AS financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and associate company incorporated in India during the year ended March 31, 2017; and

iv. The Group has provided requisite disclosures in the consolidated Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Holding Company, and its subsidiary companies and associate company incorporated in India and as produced to us by the Management of the Holding Company – Refer Note 60 to the Consolidated Ind AS financial statements. However, as stated in Note 60 to the consolidated Ind AS financial statements, amounts aggregating to INR 145,500 as stated by management were received from transactions which were not permitted.

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

Pradip Kanakia
Partner
Membership Number: 039985

Stockholm
May 30, 2017

Annexure A to Independent Auditors' Report

Referred to in paragraph 13(g) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the consolidated Ind-AS financial statements for the year ended March 31, 2017

Report on the Internal Financial Controls under Section 143(3)(i) of the Act

1. In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of United Spirits Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies and its associate company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding company, its subsidiary companies and its associate company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Price Waterhouse & Co Chartered LLPIN AAC-4362 FRN 304026E/E-300009 Bangalore

Annexure A to Independent Auditors' Report

Referred to in paragraph 13(g) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the consolidated Ind-AS financial statements for the year ended March 31, 2017

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company, its subsidiary companies and its associate company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Price Waterhouse & Co Chartered Accountants LLP
LLPIN AAC-4362
FRN 304026E/E-300009
Bangalore

Annexure A to Independent Auditors' Report

Referred to in paragraph 13(g) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the consolidated Ind-AS financial statements for the year ended March 31, 2017

Other Matter

9. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to five subsidiary companies and an associate company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India. Our opinion is not qualified in respect of this matter.

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

Pradip Kanakia
Partner
Membership Number: 039985

Stockholm
May 30, 2017

UNITED SPIRITS

A DIAGEO Group Company

Press Release

Audited financial results for the quarter and year ended
31 March 2017

UNITED SPIRITS LIMITED

(Standalone only)

Net sales up 4%, PAT increased 39% in the full year

Full year performance highlights:

- Net sales growth of 4%. Underlying net sales up 8% excluding one off impact of primarily Bihar prohibition and operating model changes.
- Prestige & Above segment net sales up 13% with 5ppts positive price/mix. Popular segment net sales declined 9% with priority states growing net sales by 1%.
- Gross margin of 42.9%, up 156bps primarily driven by positive price/mix, productivity initiatives and operating model changes. Underlying improvement of 100bps.
- EBITDA Rs. 983 Crores, up 11% and EBITDA margin of 11.5%, up 75bps, both primarily driven by increased gross profit/margin partially offset by marketing investment increasing 9%, one off impact and inflation. Underlying EBITDA up 16% and EBITDA margin of 12.4%, up 89bps.
- Interest cost Rs. 369 Crores, lower by 17% driven by favourable rates and mix of debt.
- Exceptional charge Rs. 326 Crores, up 155% driven mainly by a customer claim arising out of legacy commercial terms.
- Profit after tax Rs. 170 Crores, up 39%.

Fourth quarter performance highlights:

- Net sales decline of 1%. Underlying net sales were up 7% excluding one off impact.
- Prestige & Above segment net sales up 10% with 6ppts positive price/mix. Underlying net sales up 13% in the segment.
- Popular segment net sales declined 16% impacted by one off items.
- Gross margin of 44.1%, up 338bps. Underlying gross margin improvement of 274bps.
- EBITDA Rs. 265 Crores, up 128% and EBITDA margin of 13.1%, up 739bps both driven by increased gross profit/margin, lower operating expenses and provisions made in the same period last year. Underlying EBITDA up 104% and EBITDA margin of 15.2%, up 724bps.
- Exceptional charge Rs. 291 Crores, up 809% driven mainly by a customer claim arising out of legacy commercial terms.
- PBT before exceptional items of Rs. 153 Crores, up 99%.
- Loss after tax Rs. 104 Crores impacted by exceptional items.

Anand Kripalu, CEO, commenting on the full year ended 31 March 2017 said:

"We have delivered a strong set of results with 4% net sales growth, despite a subdued economic environment due to de-monetization as well as the run up to the highway ban. These strong results demonstrate the continued effective execution of our strategy.

The Prestige & Above segment performance remained robust and grew net sales in the full year by 13% fuelled by our renovation and premiumisation strategy. In line with our approach to selectively participate in the popular segment, we have entered into additional agreements to franchise Popular brands in several more states. These changes will allow us to further improve our operating model and focus our business on the biggest profitable growth opportunities.

The continued focus on premiumisation, price increases in select states and productivity initiatives helped us to offset inflation and delivered 156bps higher gross margin, as well as 75bps EBITDA margin improvement. We have achieved a gross margin of 42.9% and EBITDA margin of 11.5% which is in line with our expectation.

The increase in exceptional items was partially offset by reduced interest cost and tax and resulted in a PAT growth of 39%.

We have faced challenges in the regulatory environment in certain states. Tax and excise levies in Maharashtra and West Bengal have led to sharp consumer price increases, and the route to market in Punjab continues to impact performance. While the longer term consumer opportunity remains strong for spirits, we expect that the highway ban will continue to impact performance in the short term. Additionally, our initial assesment on GST suggests that, while alcohol for human consumption has been excluded from GST, the additional tax on input materials and services will result in stranded taxes, and impact margins. We shall, of course, continue to work with the central government to minimise this impact, and approach the state governments for appropriate price increases. We also recognize that the GST rates may undergo further changes, and we await formal notification of the rates and rules.

Our efforts are driving improved performance which reinforces our belief that we have the right strategy in place. We will continue to focus on these priorities to capture the long term opportunity in this attractive market and achieve our medium term ambition to grow top line by double digit and improve margins to mid-high teens."

KEY FINANCIAL INFORMATION

For the year ended 31 March 2017

Financial information summary (Rs. Crores)

	F17 FY	F16 FY*	Growth %
Net sales	**8,548**	8,248	4
COGS	**(4,884)**	(4,841)	(1)
Gross profit	**3,664**	3,407	8
Staff cost	**(667)**	(643)	(4)
Marketing spend	**(667)**	(614)	(9)
Other Overheads**	**(1,347)**	(1,264)	(6)
EBITDA	**983**	886	11
Exchange / Other Income	**99**	106	(6)
Depreciation	**(132)**	(101)	(30)
EBIT	**950**	891	7
Interest	**(369)**	(447)	17
PBT before exceptional items	**581**	444	31
Exceptional items	**(326)**	(128)	(155)
PBT	**255**	316	(19)
Tax	**(85)**	(194)	56
PAT	**170**	122	39

Other comprehensive income	**50**	9	478
Total comprehensive income/(loss)	**220**	131	68

Key performance indicators as a percentage of net sales:

	F17 FY %	F16 FY %	Movement bps
Gross profit	**42.9**	41.3	156
Staff cost	**7.8**	7.8	(2)
Marketing spend	**7.8**	7.4	(36)
Other Overheads	**15.8**	15.3	(42)
EBITDA	**11.5**	10.7	75
PAT	**2.0**	1.5	51
eps (rupees)	**11.7**	8.4	3.3rupees
eps pre exceptional (rupees)	**27.5**	17.5	10rupees

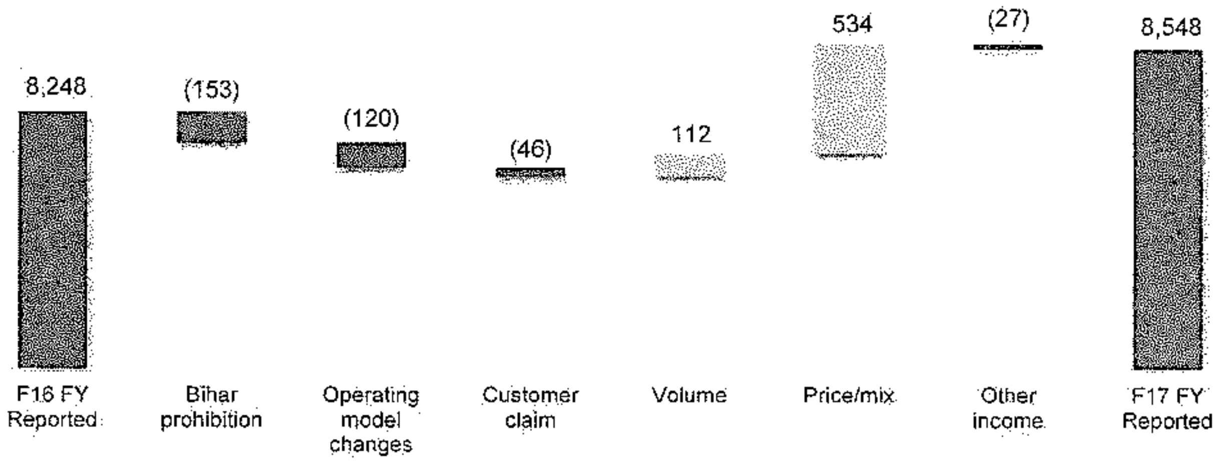
*F16 FY financials have been regrouped/reclassified as per the current period's presentation for the purpose of comparability.

**Local Body Tax reported as part of other overheads in previous quarters has been reclassified and reported as part of net sales for the quarter and the full year ended 31 March 2017.

The company in compliance with Schedule III of the Companies Act, 2013 has reported revenue from operations inclusive of excise duty.

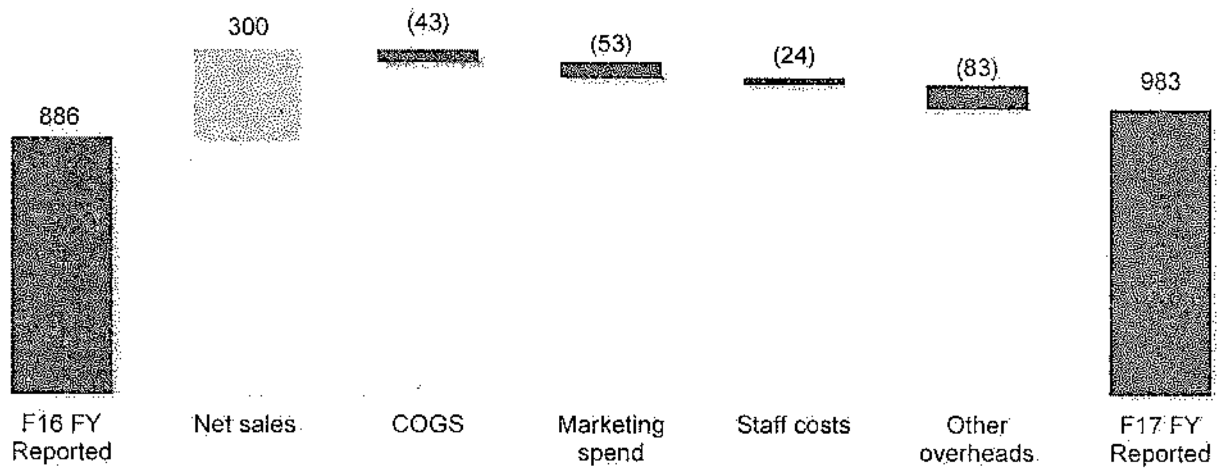
Pursuant to the Companies (Indian Accounting Standards) Rules 2015 (Ind AS) issued by the Ministry of Corporate Affairs (MCA), United Spirits Limited ("the Company" or "USL") has restated the financial results for the quarter ended June 30,2015, six months ended September 30, 2015, nine months ended December 31, 2015, year ended March 31, 2016 in accordance with the requirements of Indian Accounting Standards (Ind AS) ("Results") and released the restated financial results to the stock exchanges on October 12, 2016.

Net sales growth (Rs. Crores)



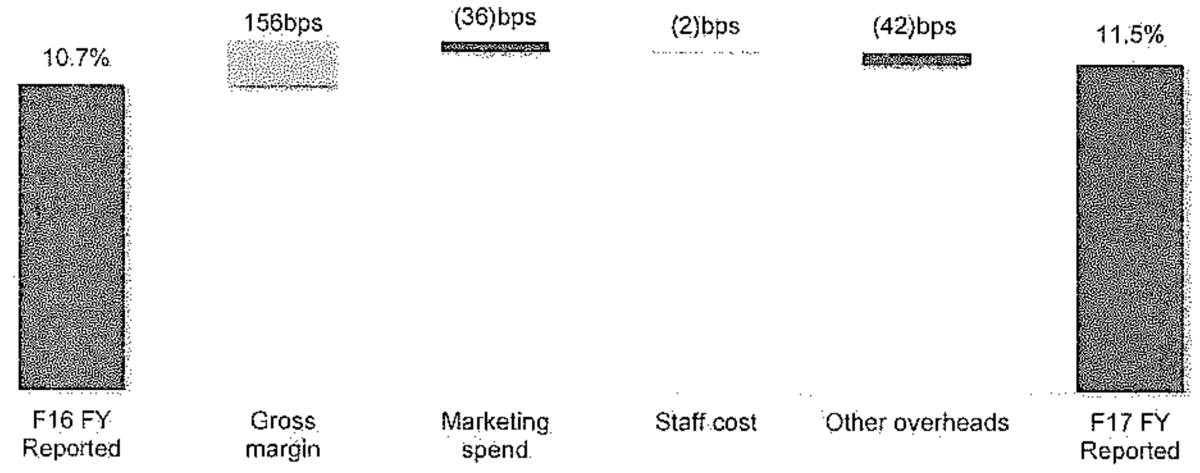
Reported net sales were up 4% despite a subdued economic environment mainly impacted by de-monetization, the run up to the highway ban and one off impact of Bihar prohibition and operating model changes. Underlying volume grew 1% in the full year excluding one off impact and positively impacted net sales. Positive price/mix was driven by selective price increases in certain states and continued focus on premiumisation and brand renovation in the Prestige & Above segment. Excluding one off impact net sales grew 8%.

EBITDA growth (Rs. Crores)



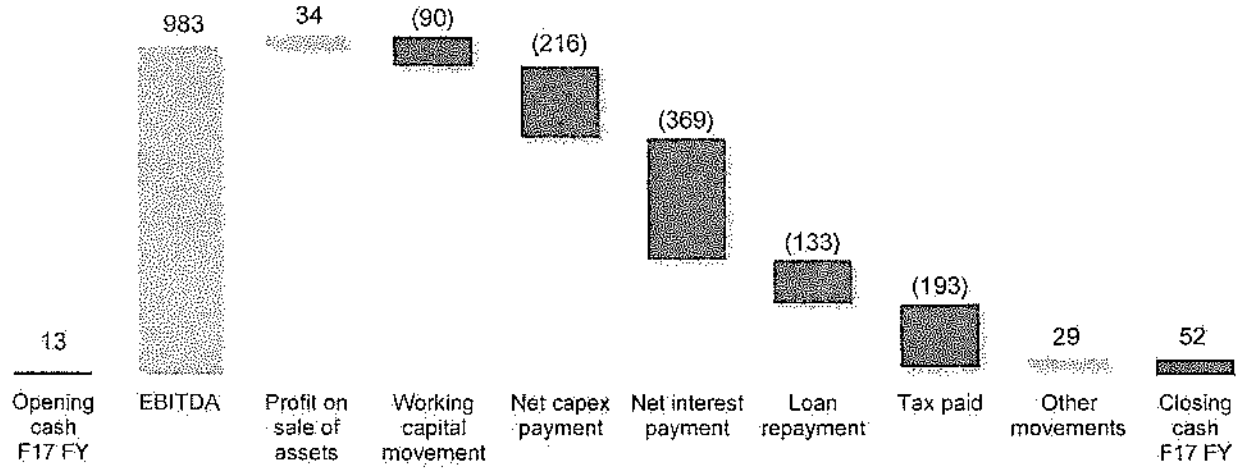
EBITDA was Rs. 983 Crores, up 11%. Strong performance of the Prestige & Above segment coupled with productivity efficiencies were the primary drivers of Rs. 257 Crores incremental gross profit. Marketing spend was focused mainly behind the Prestige and Above segment and increased by 9% ahead of top line growth. Staff cost increased by 4% benefitting from the savings delivered by the organisational changes which partly mitigated inflation and one off restructuring costs of Rs. 34 Crores in the full year. Other overheads increased by 6% impacted by one off costs, investments and inflation. One off impact includes costs of Rs. 18 Crores relating to the organisational changes and the net impact of provisions of Rs. 77 Crores in the previous year. Investments behind systems and capabilities also negatively impacted other overheads. Excluding the one off impact EBITDA was up 16% compared to last year.

EBITDA margin (%, bps)



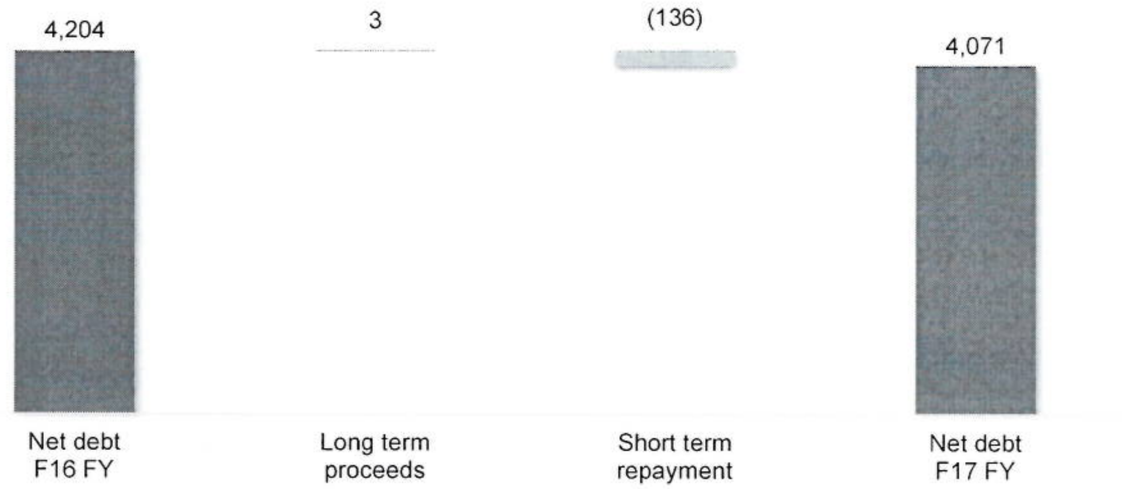
EBITDA margin of 11.5% in the full year increased by 75bps, compared to last year. Gross margin improvement of 156bps was mainly driven by positive price/mix fuelled by the strong performance of the Prestige & Above segment, productivity initiatives and operating model changes. Marketing investments behind our brands increased compared to last year and negatively impacted margin. Savings from the organisational changes partially mitigated the restructuring cost and inflation in staff costs. Increase in other overheads negatively impacted margin by 42bps. Excluding the one off impact underlying EBITDA margin of 12.4% increased by 89bps compared to last year.

Movement in cash (Rs. Crores)



Cash closed at Rs. 52 Crores. Non core asset divestment has generated Rs. 34 Crores profit. Increase in working capital was mainly due to delays in payments by some customers. Increase in net capex was focused on upgrading strategically important manufacturing units. Cash generated from the underlying business was used for debt repayment. Other movement is mainly driven by cash remittance from subsidiary.

Movement in debt (Rs. Crores)



Closing net debt was Rs. 4,071 Crores in the full year and the company utilized cash from operations to repay its loans amounting to Rs. 136 Crores. This reduction in debt value together with renegotiation of borrowings and favourable mix of debt instruments reduced the total interest cost by Rs. 78 Crores in the full year.

Significant improvement in USL's overall financial flexibility, corporate governance and compliance framework has led to further improvement in our credit rating. During the year, ICRA Limited upgraded the Long Term Rating from "A+" to "AA" with positive outlook, while the Short Term Rating was reaffirmed at "A1+" which is the highest rating. These improved ratings will enable us to access more economical sources of debt leading to lower interest cost and increased shareholder value.

Segment and brand review

The **Prestige & Above segment** represents 41% of total volumes and 58% of total net sales, up 4ppts and 5ppts respectively compared to last year. Net sales grew 10 % in the fourth quarter and 13% in the full year, with 6ppts and 5ppts positive price/mix respectively. Underlying net sales growth of 13% in the fourth quarter and net sales growth of 14% in the full year excluding one off impact. Robust performance of the Prestige and Above segment was fuelled by our continued focus on premiumisation and brand renovation.

- **Signature** volume grew by 26% and grew net sales by 29% supported by successful renovation.
- **McDowell's No 1. whisky** variants (excluding Platinum) volume grew by 7% and net sales grew by 8%.
- **Royal Challenge** volume grew by 15% and net sales grew by 16%.
- Our **scotch portfolio** in the premium and luxury segment grew volume by 29% and net sales by 32% driven mainly by Johnnie Walker, Black Dog, Black & White and VAT 69.
- Our innovation pipeline has created new offering(s) in the segment with the launch of **McDowell's No.1 "Silk"**, **Royal Challenge "Bolt"** and a new variant of **Captain Morgan**, which will help attract new consumers and drive future growth.

The **Popular segment** represents 59% of total volumes and 42% of total net sales, down 4ppts and 5ppts respectively compared to last year. The total popular segment declined both volume and net sales by 16% in the fourth quarter and declined volume 10% and net sales 9% in the full year impacted by Bihar prohibition and operating model changes. Excluding the Bihar prohibition and the operating model changes the popular segment declined volume 6% and net sales 4% in the fourth quarter and declined volume 3% and net sales 2% in the full year. Priority states volume was flat and net sales grew 1% in the full year driven by Hayward's, Bagpiper and Director's Special.

Appendix

Volume by segments (EU million)

	F17 FY	F16 FY	*% chg.*	F17 P9 YTD	F16 P9 YTD	*% chg.*	F17 H1	F16 H1	*% chg.*	F17 Q1	F16 Q1	*% chg.*
Prestige and Above	36.8	34.2	*8*	28.3	26.1	9	18.1	16.4	*10*	9.3	8.4	*11*
Popular	53.3	58.9	*(10)*	40.4	43.7	*(7)*	26.1	27.6	*(6)*	12.9	13.8	*(7)*
Total*	90.0	93.0	*(3)*	68.8	69.8	*(1)*	44.2	44.1	-	22.2	22.2	-

**The volume analysis above excludes royalty and franchise volumes.*

United Spirits Limited updates on operating model changes

United Spirits Limited has entered into agreements to franchise selected, mainly Popular segment brands in Andhra Pradesh, Goa and has moved to a complete franchise agreement for all USL brands in Kerala effective 1 January 2017.

In line with our approach to selectively participate in the popular segment, we have entered into additional agreements to franchise Popular segment brands in Union Territory of Puducherry, Union Territory of Andaman and Nicobar, Chandigarh and Rajasthan effective 1 April 2017, in Madhya Pradesh, Himachal Pradesh, Jammu and Kashmir and Delhi effective 1 May 2017 and in Sikkim and Uttar Pradesh effective from 1 June 2017.

The individual agreements are for between 3 to 5 years. The franchisees will be responsible for manufacturing and distribution of the franchised brands in their respective states on payment of an agreed royalty fee which will be accounted as part of net sales.

Volume and net sales for these franchised brands in Andhra Pradesh, Goa and Kerala accounted for 3.3 million cases and circa Rs. 180 Crores net sales in the nine months ended 31 December 2016.

Volume and net sales for these franchised brands in Union Territory of Puducherry, Union Territory of Andaman and Nicobar, Chandigarh, Rajasthan, Madhya Pradesh, Himachal Pradesh, Jammu and Kashmir, Delhi, Sikkim and Uttar Pradesh accounted for 7.0 million cases and circa Rs. 460 Crores net sales in the full year ended 31 March 2017.

Cautionary statement concerning forward-looking statements

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to United Spirits Limited („USL"), anticipated cost savings or synergies, expected investments, the completion of USL's strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside USL's control. USL neither intends, nor assumes any obligation, to update or revise these forward-looking statements in the light of any developments which may differ from those anticipated.

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Conference call and live Q&A session

Anand Kripalu, Managing Director and Chief Executive Officer and Sanjeev Churiwala, Executive Director and Chief Financial Officer will be hosting a Q&A session on Wednesday 31 May 2017 at 12:00 pm (IST time).

If you would like to join to the Q&A session please use the below dial in details.

Conference Dial in Information

Click here for your DiamondPass™

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