United Spirits Limited

Annual Report 2016-17

Proud to be
Diageo India

Company Secretary

V. Ramachandran

Auditors

Price Waterhouse & Co Chartered Accountants LLP,
5th Floor, Tower 'D', The Millenia,
1 & 2 Murphy Road, Ulsoor, Bengaluru - 560 008.

Tel. No.: 080 4079 5000

Registered & Corporate Office

"UB Tower", #24, Vittal Mallya Road
Bengaluru - 560 001.

Registrars & Transfer Agents

Integrated Registry Management Services Private Limited
(Formerly known as Integrated Enterprises (India) Limited),
30, Ramana Residency, 4th Cross, Sampige Road,
Malleswaram, Bengaluru - 560 003.

Tel. Nos.: 080 2346 0815-818

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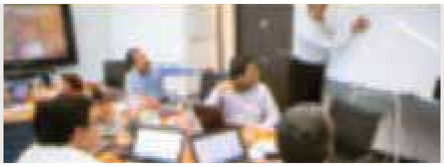
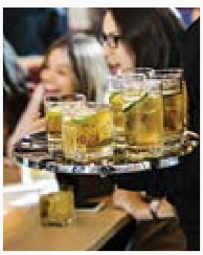


We are...
Part of something bigger

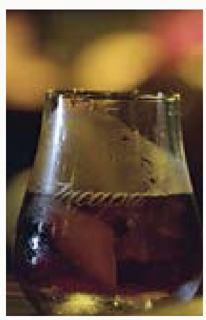
Diageo is a global leader in beverage alcohol with an outstanding collection of brands across spirits and beer. These brands include Johnnie Walker, Crown Royal, J&B, Buchanan's and Windsor whiskies, Smirnoff, Ketel One and Cîroc vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness.



Diageo is a global company, and its products are sold in more than 180 countries around the world. The company is listed on both the London Stock Exchange (DGE) and the New York Stock Exchange (DEO).

Its manufacturing facilities are located across the globe including Great Britain, Ireland, United States, Canada, Italy, Africa, Australia, Latin America and Caribbean.

The company employs approximately **32,000 talented people** worldwide with offices in around **80 countries.**



Diageo was formed in 1997, following the merger of GrandMet and Guinness, and is headquartered in London. The word Diageo comes from the Latin for day (dia) and the Greek for world (geo). We take this to mean **every day, everywhere, people celebrate with our brands.**

Global giants

Johnnie Walker
No. 1 Scotch whisky in the world

Captain Morgan
No. 2 Standard rum in the world

Smirnoff
No. 1 Vodka in the world

Tanqueray
No. 1 Premium gin in the United States

Baileys
No. 1 Liqueur in the world

Guinness
No. 1 Stout in the world[1]

1. Canadean Intelligence

Net Sales#
£6,421m +4%*

Volume#
129.4EUm +2%**

Operating Profit#
£2,065m +4%
(before exceptional items)

** Organic Net Sales Growth*
*** Organic Volume Growth*
 # Half yearly results as on December 31, 2016

Regions

All five regions contributed to overall sales growth

North America	3% ↑
Asia Pacific	3% ↑
Europe, Russia & Turkey	5% ↑
Latin America & Caribbean	11% ↑
Africa	4% ↑

Categories

Broadbase growth across categories

Scotch	6% ↑
Gin	7% ↑
North American Whiskey	15% ↑
Tequila	18% ↑

No. of people employed
32,000

Chairman's message

Dear Shareholders,

I write to you at an important moment in our Company's history – our transition into the next phase of our growth trajectory, underpinned by performance momentum despite a subdued industry environment.

Two policy developments during the year – demonetisation and the judicial ban on the sale of alcohol along national and state highways – adding to the introduction of prohibition in the State of Bihar, created a volatile and tough environment for alcobev companies, including ours – but, I believe we have outperformed competition in this challenging environment. We have also performed favourably compared to most other fast-moving consumer goods (FMCG) peer companies. We will continue to build on this momentum.

For the year, while overall net sales grew by a modest 4%, you will be happy to note that our Company improved gross margins by 156 bps to 42.9% and profit after tax grew 39%, both aided by improved productivity and operational efficiencies. The above, coupled with stringent corporate governance and compliance norms, your Company has adopted and adhered to, have led to a further upgradation of our long-term credit rating to AA which will enable it to access more economical sources of debt. It will be our endeavour to deleverage the balance sheet and reduce the level of overall debt, including through the disposal of non-core assets, to further improve financial performance by optimising on total debt and financing costs.

In the last three years since Diageo took a controlling interest in United Spirits, we have been on a journey to transform the Company into a world-class organisation that is known and recognised for its performance, compliance culture, ethical values and transparency, thereby gaining the trust and respect of all stakeholders and society at large. We have made fair progress in the pursuit and achievement of that vision leading to being accepted and acknowledged as a valuable and integral part of the Diageo group. On our part, over the last few years we have aligned and strengthened our business strategy, brand portfolio and investments, compliance standards, governance and financial/operational control mechanisms, talent development, environmental footprint and sustainability efforts and much more, to those of Diageo's standards globally, to pursue greater integration with the parent, in true spirit of inter-dependence. We now identify and adhere to the Diageo ethos more closely than ever before, even while we build on the positive aspects of our legacy, including our understanding of the Indian market, consumer franchise of our brands and well-established distribution network.

I thank you all for your continued faith and support which has in no small measure enabled the Company to adapt and face the challenges in a bold and determined manner.

Yours sincerely,
Mahendra Kumar Sharma
Chairman

Board of Directors

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V. K. Viswanathan
Independent Director

Vinod Rao
Non-Executive Director

D. Sivanandan
Independent Director

Rajeev Gupta
Independent Director

Dr. (Mrs.) Indu Shahani
Independent Director

Sanjeev Churiwala
Executive Director

Randall Ingber
Non-Executive Director

John Thomas Kennedy
Non-Executive Director

MD & CEO's message

Dear Shareholders,

It gives me great pleasure to share that the transformational journey we embarked upon three years ago has led to holistic, impactful and sustainable change across almost every single aspect of our Company. No stone has been left unturned, and no effort spared to examine every brand, every assumption, every process or control and much more, in our quest to become the best performing, most trusted and respected consumer products Company in India.

I am very pleased with our performance delivery in the year gone by and how we've held up against what can be described as the single-most challenging year from a regulatory perspective. Our results are commendable seeing as they come in the face of a very subdued economic environment and several regulatory changes. Beginning with the surprise announcement of total prohibition in Bihar, coping with the aftermath of demonetisation and culminating in the Supreme Court banning the sale of alcohol near national and state highways! Timely interventions, out-of-the-bottle thinking and employees rallying together to mitigate these risks as quickly and effectively as possible have helped us survive and grow in this tumultuous year.

On the other hand, our industry fundamentals remain promising as demographic factors, increasing aspirations and changing attitudes to alcohol continue to fuel growth. We have significantly increased the quantum of investments behind our focus brands during the year, communicating more creatively with consumers, and at scale. Our strategy of premiumising offerings, refreshing and renovating brands as well as innovating with new consumption occasions, led to strong, ahead-of-industry, growth of our Prestige and above segment, which grew net sales 14% during the year. Our renovated brands, McDowell's No. 1 whisky net sales grew 8%, Royal Challenge grew 16% and Signature grew by 29% in this year, gaining market share as well. Our Scotch category also grew net sales 32%, driven by Johnnie Walker, Black Dog, Black & White and VAT 69.

To stay focused on the most profitable parts of our business viz. Prestige and above, we created a fit-for-purpose business model to selectively participate in the Popular segment in certain states. In others, we have begun franchising our Popular brands to local partners to improve operational and cost efficiencies.

At Diageo, standards are everything. Our high-quality standards are manifest in every product in our portfolio and our state-of-the-art Technical Centre is the custodian of our valued portfolio. Our new Packaging Centre at Kumbalgudu will more fully serve our innovation agenda, going forward.

We only do business the right way. We strengthened our compliance and governance norms this year with the introduction of the Diageo Know Your Business Partner Programme, a more thorough due diligence of our business partners.

We also restructured our organisation to fit our strategic objectives and ensure that we respond quickly to customer and consumer needs, making it leaner, flatter and more agile; roles and spans are bigger; decision making is faster; and accountability sharper.

We firmly believe that when consumed responsibly, alcohol can be part of a balanced lifestyle and play a positive role in social occasions and celebration. We champion responsible drinking and support road safety programmes all over India. This year we extended our partnerships to other corporates such as Essar Oil to create awareness and drive behaviour change through their network of 3,200+ petrol pumps, many of which are situated along national highways.

Over the last few years, we have transformed and aligned ourselves more closely to the Diageo value system which has begun to underpin our entire business value chain, as well as our relationships with all our stakeholders, including our employees and the community at large. Moving forward, I see these values-led and value-creating relationships propelling our growth even more appreciably forward. We are part of something bigger, and we are certainly proud to have become an integral and valuable part of Diageo.

I would like to thank all our employees for making this happen, and for their incredible support during the year.

I would also like to thank you, all our shareholders, for your continued support in our journey.

Yours sincerely,
Anand Kripalu
Managing Director and CEO

We are... Diageo India

₹ **85,476**m
Net Revenue

₹ **9,826**m
EBITDA

₹ **196,478**m
Contribution to the Exchequer

2nd
Largest spirits Company in the world

No.1
Largest spirits Company in India

12
Millionaire brands

23%
Reduction in water usage over last year

90m
Cases produced annually

2.8m
People benefited from our sustainability efforts

₹ **11.69**
Earnings Per Share

AA
(with positive outlook)
Credit rating

10,000+
Employment generated

We are India's leading beverage alcohol Company with an outstanding portfolio of premium brands. We are a high-performing business that is sensitive to consumer, community and societal needs. We are proud of being a responsible producer and marketer of beverage alcohol, and we champion responsible consumption as part of a balanced lifestyle.

A business built on the principles and foundations laid by the giants of the industry. Our ambition is to become the best performing, most trusted and respected consumer products Company in India.

We are a Company built and sustained through innovation, which gives us the drive to create new products, new categories and new experiences for consumers, to invent strong brands today and in the future for others to take further.

Our strength lies in our scale, the geographical diversity of our business, and our desire to continuously improve our performance. Old and new, large and small, global and local – the depth and breadth of our product portfolio is second to none, with brands at almost every price point in every category to meet consumer demand.

We invest to build our brands and in the routes for them to reach consumers' hands.

With a purpose of Celebrating life, every day, everywhere, we take seriously our obligation to market our brands responsibly, and to help people make informed decisions about drinking, including choosing not to drink.

We invest in all of our partnerships big and small, holding a deep respect for the relationships we build, playing a responsible role in enriching lives of local communities, wherever we work.

As we collaborate with India, for India, we have a deep-rooted responsibility to actively shape the future of our Company, the industry, and the country by doing business the right way.

We are...
Custodians of consumer aspirations

Diageo India is the leading beverage alcohol company in India - a business built on the principles and foundations laid by the giants of the industry.

Alexander Walker, Arthur Guinness, Angus McDowell, and all those many talented people that followed in their footsteps over hundreds of years, cared deeply about the people and businesses they fostered. They were driven to produce the best spirits, wine and beer brands they could, working hard to be successful, delivering the best performance possible, and creating opportunities for people and their communities. Today, we stand on the shoulders of these giants and act with the same entrepreneurial spirit and determination.

Key Brands

Luxury

Premium

Prestige

Popular

We are a Company built and sustained through innovation, which gives us the drive to create new products, new categories and new experiences for consumers, to invent strong brands today and in the future for others to take further. And we are the present-day custodians of some of the most iconic brands in the world, with a responsibility to ensure they remain as relevant today as they have done in the past, and to pass them on to the next generation in even better shape.

Recent Renovations:

McDowell's No. 1
- Celebrating the bonds of true brotherhood

Signature
- My Mark. My Signature

Royal Challenge
- To inspire the spirit of taking on life

Recent Innovations:

Captain Morgan
- To champion the power of fun

We are... Custodians of our brands

We stand on the shoulders of giants – visionaries who conceptualised and created our brands. Today, we are custodians of lifestyle brands that facilitate socialising. As custodians of our brands – (a) We are continuously improving our understanding of socialising and status motivations, (b) We are renovating and innovating on our brands to design socialising experiences for relevant consumption occasions, (c) We are building capabilities to make our brands digitally native, and (d) We are continuing to build our technical and R&D capability to better serve specific socialising occasions.

This approach is reflected in our ability to grow share across key segments. Some of the key highlights are:

Strong market share gains achieved during the year as a result of renovation of key brands - McDowell No. 1 Whisky, core variant renovated in November 2015 grew by 8%. Signature has grown almost 29% and Royal Challenge net sales grew 16% post renovation.

Introduced gifting and personalisation at the point of purchase for some of our premium whisky brands for special occasions, whether it is weddings or festivals like Holi and Diwali. Consumers loved these gift packs, as evident in the fact that they were happy to pay the premium for the beautiful packaging that they were proud to gift to friends, family and business associates alike.

For an insight into our digital initiatives, kindly scan the QR Code below, using your smartphone:

Our brand portfolio took a major leap with pioneering innovations to power future growth. We launched Silk, another landmark in McDowell's No. 1 brand building journey and the first Indian whisky with honey flavour, and also introduced our premium Captain Morgan Original Rum to meet the evolving desires of rum connoisseurs.

Simi Bartender is a chatbot - a conversational interface that helps consumers with cocktail recipes. Launched during the year, this innovative digital experience offers bartending solutions, with over 2,000 DIY cocktail recipes, to enthusiastic consumers ready to play host at parties.

We are...

Creating memorable consumer experiences

The consumer is at the heart of everything we do. Our scientific approach to consumer planning, insights and analytics fuels our superior understanding of consumer tastes, preferences and occasions. This understanding is backed by our continuous efforts to transform our brands to win the hearts and minds of consumers by creating more memorable experiences for them. This strong commitment to the consumer is what is driving our market share and brand performance growth.

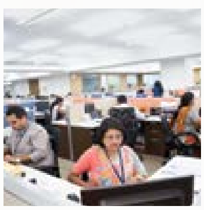
We are also leveraging outlets as media to build brand imagery with quality, distribution, visibility, price, promotion and persuasion, while automation as a key in-store driver has further helped augment our customer connect.

Our dedicated brand ambassadors work with the F&B on-premise fraternity through global programmes, such as World Class and Diageo Bar Academy, to further propel market expansion. We are recruiting new consumers through brilliantly executed consumer activations in outlets, and also at Weddings and Banquets.

Highlights:

Posted strong 43.5% volume share in the categories in which we operate (including wine and flavoured spirits). P&A represents 41.13% in volume and 60% of the overall business (net sales).

Deployed a fit-for-purpose model to optimise our Popular brands business. In certain states such as Andhra Pradesh, Puducherry, Goa, Andaman and Nicobar and Kerala, we believe that other local parties are better advantaged to maximise value of our popular brands and have appointed franchisees for these brands through a fixed fee model. This will enable us to focus on the biggest growth opportunities.



We are now fully aligned to Diageo's commercial capability standards with an overall 'stable' rating and best practice showcase in certain criteria. This is a significant improvement from the past year. These standards help benchmark selling capabilities across the world, including Customer Planning and Performance Management, Outlet Execution Standards, Rewards & Recognition and Commercial Scorecards.

Partnered with innovative start-up 'HipBar', a cloud-based app catering to drinks connoisseurs. Customers can use their smartphone to buy their favourite spirits bottle through the HipBar app, which can be redeemed by portion in any partner restaurant or hotel across the country.

We are... Strengthening our value chain

28%
Reduction in Carbon Emissions Footprint over FY16

850%
Increase in use of renewable biomass since FY07

23%
Reduction in water usage over last year

It is our constant endeavour to bring cost and operational efficiencies into the system through sustainable initiatives across the value chain of our business. These include creation of an integrated supply team to boost collaboration and faster decision-making, besides greater focus on productivity and savings. These initiatives led to ₹ 200 crore in cost savings during FY17 - the highest ever till date.

In an industry-first initiative, we have successfully institutionalised an efficient and integrated Sales and Operation Programme through a Centre of Excellence designed to further enhance our system and process efficiencies.

Our journey towards sustainable growth started with our integration with the Diageo Global supply chain and is underlined by several proactive initiatives - introduction of a structured tiered governance system, application of regular review metrics, more robust processes, use of rapid deployment methodology on the shop floor and lean manufacturing and factory rationalisation. With sustainable quality performance an important facet of our business model, we have built robust manufacturing capabilities, which have enabled us to earn certifications like - Food Safety Management - ISO 22000 and "National Safety Award" from the National Safety Council of India for our Alwar unit in Rajasthan.

We are...
Constantly nurturing the power

Built on a strong performance culture, our people philosophy is targeted at creating a 'fit for purpose' organisation with the right capabilities and right enablement policies.

ORGANISATION

FIT FOR PURPOSE STRUCTURE: Implemented a flatter, leaner, more responsive and agile structure with the objective of winning in the marketplace and creating a fit for purpose organisation. We embedded efficiencies in our HR services enabled with the right technology.

MAPPING TO DIAGEO BLUEPRINT: To build closer alignment with Diageo's global organisation structure, we rationalised our grades to Diageo levels. To facilitate career movements within the global organisation.

LEADERSHIP

BUILDING CAPABILITIES: Enabled our employees to grow into functionally capable and inspirational leaders by closing 35% of internal vacancies with job rotations. Employees also received a total of 5966-man days in training to help them succeed in their current roles.

DEVELOPMENT: Launched the **Career portal** which depicts clear career pathways for each role. This helps employees identify and build relevant capabilities in pursuit of their career aspirations. It also helps build a robust talent pipeline.

CULTURE

ENGAGED WORKFORCE: Connecting employees through open offices, fun at work activities, health study on employee value score and ensuring our policies allow for flexibility and customisation as per individual's need. Launched Recognition portal - a peer-to-peer and team recognition framework for employees across locations on a social platform delivered through a Mobile Application.

OFF FROM WORK: Enhanced our maternity leave policy to six months with an additional month of flexi-working from home. Father's-to-be are also entitled to two weeks' of paternity leave. Employees can also avail sabbatical leave up to one year, to pursue personal goals or exigencies.

IMPROVING GENDER DIVERSITY continues to be an executive priority with specific diversity goals, actions and milestones in place. Compared to two years ago, we have more women in leadership roles - 25% representation on the Executive Committee and Senior leadership roles are all headed by women leaders. We have also hired women in specialist roles at our R & D centre, Innovation and Public Policy teams.

All the above efforts are inclined towards becoming the best performing, most trusted and respected consumer products company in the world.

# of our people

The highly regulated alcohol industry in India, necessitates a high degree of adherence to regulatory compliance and governance, which is in line with Diageo's global standards.

Our compliance and governance policies and practices influence the entire spectrum of our business activities - from the way we promote our brands to how we engage with government officials.

Our efforts to ensure that we conduct business ethically begins with training employees to be aware and consciously meet the stringent compliance and governance standards set out in our Code of Business Conduct (COBCE). Our Annual Compliance Certification programme covered 2,176 employees during FY17, to certify that they have understood and follow the governance and compliance framework. All 229 new joinees also underwent personal and on-line COBCE training. Regular communication in the form of monthly newsletters, posters and campaigns are also rolled out.

During the year, we transitioned to Diageo's global whistleblower system SpeakUp. As part of our breach management system, there were 115 reported breaches during the year, of which 77 cases were in the nature of compliance and ethics issues. These were investigated in detail by the Compliance Committee, comprising senior members of the leadership team, followed by remedial action.

While the Compliance Committee, Audit Committee, and the Global Audit & Risk Committee ensure autonomy and supervision, the Internal Complaints Committee and Regional Committees handle cases under the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

In order to ensure that we manage our risk from doing business with third parties, we initiated Diageo's Know Your Business Partner programme, a due diligence programme for our business partners.

Compliance Framework

- Compliance Committee
- Audit Committee
- Global Audit & Risk Committee
- Internal Complaints Committee & Regional Committees

We are...
Proud to be living the ethos of responsible growth

Diageo India's sustainable development agenda focusses on where we source, make and sell because those communities have the biggest influence on our business, and us on them. We also take seriously our obligation to market our brands responsibly, and to help people make informed decisions about drinking, including choosing not to drink. We believe that when consumed responsibly, alcohol can be a part of a balanced lifestyle and play a positive role in social occasions and celebrations.

Championing Road Safety

Road safety and anti-drink driving are central to our strategy to address alcohol harm and promote responsible consumption. Our signature **'Diageo Road to Safety'** programme, now in its 3rd year, is executed in partnership with state governments and reputed not-for-profit organisations. In February this year, we were proud recipients of the 'National CSR Excellence Award 2017' for this campaign.

The **USL-DIAGEO - ROAD TO SAFETY** programme, together with the Institute of Road Traffic Education (IRTE), covered new ground, reaching 50 new cities in 15 states and trained over 3,900 traffic officials in road safety capacity-building, along with 6,000 commercial vehicle drivers.

The **DIAGEO-NDTV ROAD TO SAFETY CONSUMER CAMPAIGN** in FY16 reached 2.8 million citizens through its network of Radio, TV and Digital. Till date, the campaign has garnered over 3 million pledges in support against drunken driving. Citizens were encouraged to always have a 'Designated Driver' and to 'Never Drink & Drive'. Campaign ambassador and youth icon, Virat Kohli together with leading celebrities Chris Gayle, Karisma Kapoor and Gul Panag amplified the message of never drinking and driving.

DIAGEO-ESSAR OIL (EOL) - ROAD TO SAFETY PARTNERSHIP, a first-of-its-kind CSR partnership was launched in February this year. This Road Safety campaign aimed at educating the commercial vehicle drivers is being rolled out across 3,200 Essar Oil's retail outlets on the state and national highways.

Road To Safety University Programme

To ensure that the youth of today are aware and involved in making our roads safer, we partnered with Enactus India for the first ever 'Young India Summit on Road Safety' at the Delhi College of Economics. The Summit consisted of panel discussions, film-making competition and case studies on how to reduce the number of deaths on our roads. The summit was covered by NDTV and attended by the excise commissioner of New Delhi.

We have partnered with IIT Delhi for a 3-month, pan India road safety festival 'Watch the Road' and organised a marathon together with BITS Pilani, Goa to create awareness against the perils of drunk driving.

Our University partnerships have helped us reach and educate 16,000 students.

Empowering communities through Project S.H.E.

Through our grassroots programme Project S.H.E. (Security-Health-Education), we aim to create shared value and empowered communities around our five bottling plants in the semi-urban and rural areas of the country.

- In Alwar, Rajasthan, we have our distilling and bottling plant surrounded by three key villages from where most of our workforce comes. This unit scores very high on diversity, safety and performance amongst the peer units.
- Our combined efforts have helped in building an additional capacity of 1,25,000 Cu Metre (equal to fill more than 50 Olympic-size swimming pools) of water through rainwater harvesting structures, pond desilting and better water management practices. These villages now have 100% piped water facility at every villager's home and have achieved their goal of 100% 'open defecation free' which has been acknowledged by the government.
- To improve menstrual hygiene and women health, we helped set up a self-help group (SHG) of 20 women that were trained and supported to set up a micro enterprise to produce low-cost sanitary napkins. Today, this enterprise supplies sanitary napkins to over 20 villages touching 5,000 women. This initiative provides both livelihood as well as improved hygiene for the women of the villages.

We are...
Focused on financial prudence

We remain committed business partners and support business to focus on cost reduction through zero-based budgeting. This has helped liberate costs in COGS and overheads, coupled with marketing efficiencies to invest in our brands and deliver on our margin ambition of mid-high teens in mid-term.

Automation remains our key priority and we invested in SAP enhancement, which has also enabled better financial reporting compliance and digitisation of various processes, enabling us to report faster and better quality of quarterly earnings reporting.

In an industry subject to complex regulations, we continue to maintain a strong balance sheet, with debt portfolio diversification and better sweating of assets as key focus areas of our business strategy.

We augmented risk management processes and controls environment and this enabled the management to protect financial, operational & reputational values of the Company. We delivered clean Internal Financial Control (IFC) certification and statutory audit opinion. We keep the Company safe and secure.

Our effort to efficiently manage capital structure and funding strategy has resulted in better debt mix, reduced debt value and strengthened our ability to renegotiate borrowing costs. This has delivered lower interest costs by 17%, thus enabling us to improve earnings.

We enabled improved credit ratings by judicious planning and ICRA upgraded our Long-Term rating from A+ to AA (with positive outlook), while the Short-Term rating was reaffirmed at highest A1+.

REPORT OF THE DIRECTORS

Dear members

Your Directors are pleased to present the 18th Annual Report of your Company and the audited financial statements for the year ended March 31, 2017.

1. Financial Results#

₹ Million

	Standalone		Consolidated	
	2016-17	2015-16	2016-17	2015-16
The working of your Company for the year under review resulted in				
Profit / Loss from operations	7,131	5,452	7,194	5,508
Exceptional and other non-recurring items	3,262	1,280	3,681	274
Less:				
Depreciation	1,323	1,017	1,886	1,572
Taxation (including deferred tax)	847	1,936	697	2,228
Profit / (Loss) after tax	1,699	1,219	930*	1,434*
Profit B/F from previous year	(42,590)	(52,244)	(46,815)	(56,621)
Minority Interest appropriation	-	-	71	-52
Foreign Currency Translation Reserve Considered separately	-	-	29	-215
Total Comprehensive Income	499	86	468	290
Transfer between reserves	68	8,349	68	8,349
Profit / (Loss) available for appropriation	(40,324)	(42,590)	(45,248)	(46,815)
Your Directors have made the following appropriations:				
General Reserve	-	-	-	-
Dividend paid in respect to previous years	-	-	-	-
Proposed dividend	-	-	-	-
Corporate Tax on Proposed Dividend	-	-	-	-
Corporate Tax on Dividend paid	-	-	-	-
Balance carried to the Balance sheet	(40,324)	(42,590)	(45,248)	(46,815)
EPS–Basic & Diluted(Rupees)	11.69	8.39	7.06	9.75

* Excluding minority interest

\# Previous year's figures varies compared to 17th Annual Report in view of the implementation of Indian Accounting Standard (Ind AS) effective April 1, 2016.

1.1 Subsidiary Companies

In accordance with section 129(3) of the Companies Act, 2013, ('Companies Act') a statement containing salient features of the financial statements of the subsidiary companies in Form AOC1 is provided as **Annexure - 1** to this report.

In accordance with the third proviso to section 136(1) of the Companies Act, the annual report and financial statements of each of the subsidiary companies have also been placed on the website of the Company www.diageoindia.com

2. Board's Responses to Observations, Qualifications and Adverse Remarks in Auditor's Report

The Statutory Auditors have given unqualified opinion on the Financial Statements for the year ended March 31, 2017 and hence this is not applicable.

The Secretarial Auditor has given an unqualified opinion in the Secretarial Audit Report for the year ended March 31, 2017, referred to in Annexure 3 and hence this item is not applicable.

3. Material Changes and Commitments/ Events Subsequent to the date of the Financial Statements

The details of material changes and commitments/ event subsequent to the date of the financial statement is provided under Management Discussion and Analysis Report and the report on Risk Management forming part of this Annual Report.

4. Change in nature of Business, if any

The details of change in nature of business is provided under Management Discussion and Analysis Report and the Report on Risk Management forming part of this Annual Report.

5. Dividend

In view of the accumulated losses of the preceding years, your directors have not recommended any dividend. No amount is proposed to be carried to reserves.

6. Capital

The authorized share capital of your Company remains unchanged at ₹ 7,192,000,000 divided into 548,000,000 equity shares of ₹ 10/- each amounting to ₹ 5,480 million, 159,200,000 Preference shares of ₹ 10/- each amounting to ₹ 1,592.0 million and 1,200,000 7% non-cumulative redeemable Preference Shares of ₹ 100/- each amounting to ₹ 120 million.

The issued, subscribed and paid-up equity share capital of your Company remain unchanged at ₹ 1,453,277,430/- divided into 145,327,743 equity shares of ₹ 10/- each.

7. Global Depository Shares

During the financial year 2005-06, the Company had issued 17,502,762 global depository shares (GDSs) representing 8,751,381 equity shares with 2 GDSs representing 1 equity share of face value of ₹ 10/- each at US$ 7.4274 per GDS, aggregating to US$ 130 million, listed on the Luxembourg stock exchange. These GDSs did not carry any voting rights. The Company, as mentioned in its letter dated September 22, 2016 addressed to Deutsche Bank Trust Company Americas, Depository for the GDS, had elected to terminate the deposit agreement in respect of the GDSs and the same was communicated to the Luxembourg Stock Exchange with the objective of delisting these GDSs listed with Luxembourg stock exchange. The Company vide its letter dated January 09, 2017, extended the termination date to February 10, 2017 and eventually the Depository for global depository shares (GDSs), was terminated by virtue of which the GDSs have been cancelled. Notwithstanding this development, the number of shares outstanding or issued and subscribed in the share capital of the Company remains unchanged at ₹ 1,453 million being 145,327,743 equity shares of ₹ 10 each fully paid up and the Company's shares continue to be listed with the National Stock Exchange of India Limited and BSE Limited. Consequent to this, the GDS listed with the Luxembourg Stock Exchange had been delisted.

8. Performance of the Company

During the year under review, your Company has achieved a sales volume of over 90 million cases and this resulted in decline of 3.2% compared to prior period (previous year 93 million cases, excluding royalty / franchise markets). Net sales/income from operations of the Company's brands grew 3.6% in the financial year ended March 31, 2017 and stood at ₹ 85,476 million net of duties and taxes (previous year ₹ 82,482 million). Sales volume of the Company's brands in the 'Prestige and Above' segment grew 7.7% in the financial year ended March 31, 2017 and stood at 37 million cases (previous year 34 million cases). Net sales of the 'Prestige and Above' segment grew 13% and stood at ₹ 49,660 million net of duties and taxes (previous year ₹ 46,013 million). The 'Prestige and Above' segment represents 41% of total sales volumes and 58% of total net sales with 4 basis points and 5 basis points improvement respectively compared to previous year.

REPORT OF THE DIRECTORS *(CONTINUED)*

9. Details of Subsidiary Companies, Joint Ventures and Associate Companies and their Financial Position

Your Company continues to have 19 subsidiary companies in the financial year ended on March 31, 2017. The information required under the first proviso to section 129(3)of the Companies Act is given inform AOC- 1 in **Annexure 1.** The Company's policy for determining material subsidiaries is available at Company's website www.diageoindia.com.

Performance of Associates, Subsidiaries and Joint Ventures and their contribution to overall performance of the Company is covered as part of the Consolidated Financial statement and in form AOC-1, annexed to and forming part of this Annual Report.

10. Prospects/Outlook

The details about prospects/ outlook of your Company are provided under the Management Discussion and Analysis Report forming part of this Annual Report.

11. Depository System

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on March 31, 2017, equity shares representing 98.77% of the equity share capital are indematerialised form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

12. Board Meetings, Board of Directors, Key Managerial Personnel & Committees of Directors.

12.1 A. Appointment, change in designation and resignation

Details on appointments, changes in designation, resignation of Directors, key managerial personnel, and Committees of Directors, as well as on Board and Committee meetings of your Company, and the matters required to be specified pursuant to sections 134 and 178 of the Companies Act, 2013 and the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations) are provided in the Corporate Governance Report that is annexed to and form part of this Annual Report.

B. Re-appointment

As per the provisions of the Companies Act, Mr Vinod Rao retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offers himself for re- appointment.

Members may please note that Mr Vinod Rao, who is a nominee of Relay B V, was appointed as a Director at the 17th Annual General Meeting (AGM).

A brief profile of Mr Vinod Rao is provided in the Notice convening 18th AGM.

C. Independent Directors and Nominee Directors

Mr Sudhakar Rao, an Independent Director of the Company resigned as director with effect from May 19, 2016.

Mr Ravi Rajagopal, a Non-Executive Director of the Company resigned as director with effect from October 13, 2016.

Dr Nicholas Bodo Blazquez, a Non-Executive Director of the Company resigned as director with effect from January 22, 2017.

Your directors place on record their sincere appreciation of the valuable services rendered by Mr Sudhakar Rao, Mr Ravi Rajagopal and Dr Nicholas Bodo Blazquez during their tenure as directors of the Company.

Mr V K Viswanathan was appointed as an Independent Director with effect from October 17, 2016

Pursuant to nominations received from Relay B.V., the holding company of your Company, Mr Vinod Rao, Mr John Thomas Kennedy and Mr Randall Ingber, were appointed as Directors of the Company with effect from May 24, 2016, August 17, 2016 and February 2, 2017 respectively.

Brief profiles of Mr V K Viswanathan, Mr Vinod Rao, Mr John Thomas Kennedy and Mr Randall Ingber are provided in the Notice convening 18th AGM.

D. Executive Director

Mr Sanjeev Churiwala, Chief Financial Officer, was nominated by Relay B V, for appointing him as an Executive Director and accordingly the Board of Directors of the Company appointed him as an

Executive Director and Chief Financial Officer of the Company with effect from April 1, 2017.

A brief profile of Mr Sanjeev Churiwala is provided in the Notice convening 18th AGM.

E. Number of Meetings of the Board

The details of the Board Meetings and other Committee Meetings held during the financial Year 2016-17 are stated in the Corporate Governance.

F. Board Committees

The Company has setup the following committees of the Board:

Audit and Risk Management Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee and General Committee of Directors.

The composition of each of the above Committees, their respective roles and responsibilities are provided in the Corporate Governance Report.

G. Recommendations of the Audit and Risk Management Committee

All the recommendations of the audit and risk managment committee have been accepted by the Board.

H. Details of remuneration to Directors

As required under Section 197(12) of the Companies Act, information relating to remuneration paid to Directors during the financial year 2016–17 is provided in the Corporate Governance Report and in form MGT 9, that is annexed to and forming part of this Annual Report as **Annexure-4.**

As stated in the Corporate Governance Report, sitting fees are paid to Non-Executive Directors for attending Board/ Committee meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred in attending such meetings, in accordance with the travel policy for Directors. In addition, the Non-Executive Directors are also eligible for commission every year, not exceeding 1% of the net profits of the Company calculated in accordance with Section 198 of the Companies Act, as approved by the shareholders at the AGM held on September 30, 2014. Such approval remain in force until revoked. The payment of Commission is to be decided by the Board of Directors, based on the recommendation of the Nomination and Remuneration Committee. Criteria for payment of remuneration to Non-Executive Directors is as below:

1. Membership of Committees
2. Chairmanship of the Committees/Board
3. Benchmarking with other companies

The Company has made a provision of ₹ 21.5 million for paying commission to the Non-Executive Directors pursuant to the provisions of the Companies Act, 2013.

The criteria for payment of remuneration to executive directors is determined by the Nomination and Remuneration Committee.

I. Board Evaluation Criteria

Pursuant to the provisions of the Companies Act and Regulation 17 of the SEBI (LODR) Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the Board Committees. The evaluation process considered the effectiveness of the Board and the committees with special emphasis on the performance and functioning of the Board and the Committees. The evaluation of the Directors was based on the time spent by each of the Board Members, core competencies, expertise and contribution to the effectiveness and functioning of the Board and the Committees.

12.2 Vigil Mechanism

Your Company has a well-established vigil mechanism in place, which is managed by the compliance & ethics team. 'SpeakUp' is a confidential service available to employees to make a report when they believe there to be a potential breach of the code, policies or applicable laws. 'SpeakUp' is managed by an external agency with staff who are trained to deal with the calls and translators who are immediately available to assist if required. Access to the Chairman of the Audit Committee is provided for in appropriate/ exceptional cases, as required under

REPORT OF THE DIRECTORS *(CONTINUED)*

the Companies Act and the SEBI (LODR) Regulations. All complaints are investigated by the compliance and ethics team and appropriate action taken in accordance with your Company's policies.

12.3 Related Party Transactions

The Company's policy on dealing with related party transactions was adopted by the Board on June 15, 2015. This policy has been amended from time to time and is available on the Company's website www.diageoindia.com.

All related party transactions that were entered into during the financial year, were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict of interest with the Company at large.

The details of related party transactions required under section 134(3)(h) of the Companies Act read with Rule 8 of the Companies (Accounts) Rules, 2014 is given in form AOC-2 and the same is enclosed as **Annexure-2.**

13. Auditors

13.1 Financial Audit

M/s. Price Waterhouse & Co Chartered Accountants LLP (FRN 304026E/ E-300009) Statutory Auditors of your Company, were appointed as Auditors of your Company from the conclusion of the 17th AGM for a period of 5 years subject to ratification of the appointment by the members at every AGM.

13.2 Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a Secretarial Audit has been carried out by Mr Sudhir V Hulyalkar, Practising Company Secretary, and his report is annexed as **Annexure 3.**

14. Listing of Shares of the Company

The equity shares of your Company continue to be listed with the BSE Limited and the National Stock Exchange of India Limited (NSE). The listing fees due as on date have been paid to the respective stock exchanges. The GDS listed with Luxembourg Stock Exchange had been delisted consequent upon the termination of the Depository Agreement entered into with the Depository namely Deutsche Bank Trust Company Americas.

15. Corporate Governance

A Corporate Governance Report is annexed separately as part of this report.

16. Management Discussion and Analysis Report

The Management Discussion and Analysis Report is annexed separately as part of this report.

17. Fixed Deposits

As reported in the previous year's annual report, your Company discontinued accepting fixed deposits from the public and shareholders effective January 1, 2014. In addition, pursuant to section 74(1)(b) of the Companies Act, the Board of Directors at their meeting held on August 1, 2014 decided to repay all fixed deposits maturing on or after March 31, 2015 by March 31, 2015. Fixed Deposits from the public and shareholders which remained unclaimed and for which instructions had not been received from the depositors as on March 31, 2017 stood at ₹ 1,12,05,419. This amount was transferred into a separate non-interest bearing escrow account opened specifically for the purpose of re-payment, has been re-paid consistent with the provisions of the Companies Act and the rules made thereunder. Of this amount, a sum of ₹ 49,02,310 (as of June 30, 2017) has since been paid as per instructions received after the year end. The balance unclaimed fixed deposits continue to remain in the escrow account.

18. Extract of Annual Return

The extract of the Annual Return in Form MGT-9 is annexed as **Annexure 4.**

19. Transfer to Investor Education and Protection Fund (IEPF)

An amount of ₹ 27,77,294/- and ₹ 5,60,826/- in respect of the unclaimed/unpaid dividend and fixed deposits respectively, during the financial year 2009-10 have been transferred to Investors Education and Protection Fund pursuant to the provisions of Sections 124 of the Companies Act read with Rule 8 of the Companies (Accounts) Rules, 2014. The details of the shareholders and Fixed Deposit holders with the names of those shareholders and deposit holders are available on the website of the Company.

The details of unclaimed/unpaid Dividends and Fixed Deposits which have not been transferred to the IEPF account as the period of seven years has not been completed is given below pursuant to the provisions of the Companies Act and the applicable Rules there under.

Dividend:

Financial Year	No. of Members who have not claimed their dividend	Unclaimed dividend as on March 31, 2017 (Amount in ₹)	Unclaimed dividend as% to total dividend	Date of declaration	Last date for claiming the dividend prior to its transfer to IEPF
2009-10	12,416	2690870	0.86	29-Sep-2010	4-Dec-2017
2010-11	14,390	2833572	0.86	29-Sep-2011	4-Dec-2018
2011-12	16,459	3138447	0.96	25-Sep-2012	30-Nov-2019
2012-13	10,356	2030605	0.56	24-Sep-2013	29-Nov-2020
2013-14	-	Not applicable	-	Not applicable as no dividend was declared for the year 2013-14.	Not applicable
2014-15	-	Not applicable	-	Not applicable as no dividend was declared for the year 2014-15.	Not applicable
2015-16	-	Not applicable	-	Not applicable as no dividend was declared for the year 2015-16.	Not applicable

Fixed Deposits:

1.	Accepted during the year	NIL	
2.	Remained unpaid or unclaimed as at the end of the year	YEAR	AMOUNT in ₹
		2016-17	Not Applicable
		2015-16	Not Applicable
		2014-15	2850572.00
		2013-14	2527021.00
		2012-13	3526798.00
		2011-12	1076345.00
		2010-11	796623.00
3.	Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved	NIL	
4.	The Details of deposits which are not in compliance with the requirements of Chapter V of the Companies Act	Not Applicable	

Necessary compliance under Rule 3 of the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, has been ensured.

20. Human Resources

Employee relations remained cordial at all the locations of the Company. Particulars of employees drawing an aggregate remuneration of ₹ 1,02,00,000/- or above per annum or ₹ 850,000/- or above per month, as well as additional information on employee remuneration as required under the provisions of rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 is annexed as part of this report in **Annexure 5** hereto.

21. Employees Stock Option Scheme

Your Company has not offered any stock options to its employees during the year 2016-17. During the year 2015–16, the Board approved a Stock Appreciation Rights (SAR) plan for grant of 500,000 SARs and authorised the Nomination and Remuneration Committee to decide the criteria for grant and vesting of the SARs to employees and eligible directors. Since there will be no fresh issue of shares as a result of the SARs, there will be no dilution of equity and earning per share.

22. Particulars of Loans, Guarantees and Investments

Loans, guarantees and investments covered under Section 186 of the Companies Act, are detailed in Notes to the financial statements, which are as follows:

Notes 4.1 and 4.2 relating to investments, Notes 5, 6 and 9 relating to loans given and Note 37 relating to guarantee given as per the standalone financial statements for the year ended March 31, 2017 include these disclosures.

23. Risk Management

Details on Risk Management are annexed as part of this report in Annexure 6 hereto.

24. Internal Financial Controls

The Board considered materials placed before it and after reviewing the confirmation from external parties and reviewing the effectiveness of the policies and procedures adopted by the Company for ensuring orderly and efficient conduct of its business, including adherence to Company's policy, safeguarding its assets, prevention and detection of frauds and errors and completeness of accounting records and timely preparation of financial statements, the Board has satisfied itself that the Company has laid down internal financial controls which commensurate with size of the company and that such internal financial controls

REPORT OF THE DIRECTORS *(CONTINUED)*

are broadly adequate and are operating effectively. The certification by the auditors on internal financial control forms part of the audit report. A statement to this effect is also appearing in the Directors' Responsibility Statement.

25. Corporate Social Responsibility

Information on the composition of the Corporate Social Responsibility (CSR) Committee is provided in the Corporate Governance Report that forms part of this Annual Report. Furthermore, as required by section 135 of the Companies Act and the rules made thereunder, additional information on the policy and implementation of CSR activities by your Company during the year are provided in **Annexure 7** to this report. Business Responsibility Report under Regulation 34(2) (f) of the SEBI (LODR) Regulations has been enclosed as **Annexure 9** and also uploaded on to the Company's website www.diageoindia.com

26. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars prescribed under section 134(3)(m) of the Companies Act, read with Rule 8 of the Companies (Accounts) Rules, 2014, are set out in **Annexure 8** to this report.

27. Details of Significant and Material Orders Passed by the Regulators or Courts Impacting the Going Concern Status and Company's Operations in Future

The Company has not received any significant or material order passed by regulators or courts impacting the Company's going concern status or the Company's operations in future. The Management Discussion and Analysis Report read with the report on Risk Management contains impact on the business due to regulatory changes.

28. Disclosure as required Under Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has implemented a prevention of sexual harassment policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWWA). An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment and on-going training is provided to employees as required by the SHWWA. During the financial year 2016-17 no complaint was received.

29. Highlights of performance of subsidiaries, associates and joint venture companies of the Company

The highlights of performance of subsidiaries, associates and joint venture companies of the Company and their contribution to the overall performance of the Company is covered as part of the Consolidated Financial Statement and form AOC-1 annexed as part of this report. Out of 20 subsidiary/associate companies, 13 are inoperative companies.

30. Directors' Responsibility Statement

Pursuant to section 134 (5) of the Companies Act, in relation to financial statements (together with the notes to such financial statements) for the year 2016-17, the Board of Directors report that:

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/ loss of the Company for that period;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors have prepared the financial statements on a going concern basis;

(v) the Directors have laid down internal financial controls to be followed by the Company commensurate with the size and nature of its business and the complexity of its operations and that such internal financial controls are adequate and are operating effectively and the control gaps noticed in invoicing has since been appropriately addressed; and

(vi) the Company has a system of getting reports of compliance periodically from the units and has substantially implemented a process having comprehensive systems to ensure compliance with the provisions of all applicable laws and is operating effectively.

Your Directors place on record their sincere appreciation for the continued support from the shareholders, customers, suppliers, banks and financial institutions and other business associates.

A particular note of thanks to all employees of your Company, without whose contribution, your Company could not have achieved the year's performance.

By Authority of the Board

Anand Kripalu
MD & CEO

Mahendra Kumar Sharma
Chairman

Bengaluru
July 23, 2017

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Corporate Governance

1.1 Your Company is committed to good corporate governance and adheres to the tenets of integrity, accountability, fairness and transparency in all its operations. The Company continuously endeavors to improve upon these aspects on an ongoing basis and adopts innovative approaches for leveraging resources, converting opportunities into achievements through proper empowerment and motivation, fostering a healthy growth and development of human resources to take the Company forward.

1.2 Your Company pursues growth by adopting best corporate practices and timely disclosures, which will enhance the long term value to all stakeholders and also inspires us to follow best practices which not only meet applicable legislation but go beyond in many areas of our functioning. We are committed to doing things the right way that is ethical and is in compliance with applicable legislation. Our code of corporate governance is an extension of our values and reflects our continued commitment to ethical business practices across our operations.

2. Board of Directors

2.1 As on the date of this report, the Board of Directors of the Company comprises:

- A Non-Executive Independent Director as Chairman;
- Two Executive Directors;
- Three Non-Executive Non-Independent Directors; and
- Five Independent Directors including the Chairman as above.

2.2 None of the Directors is related to any other Director.

2.3 Your Company has a balanced mix of executive and non-executive and Independent Directors from various diverse backgrounds, which enables the Board to discharge its duties and responsibilities in an effective manner.

2.4 During the financial year under review, 10 Board Meetings were held, i.e., on April 28, 2016, May 12, 2016, May 26, 2016, June 08, 2016, July 9, 2016, July 14, 2016, July 26, 2016, October 27, 2016, January 21, 2017 and March 27, 2017.

2.5 Attendance of each Director at the Board Meetings and at the previous AGM and details of the number of outside directorship and committee positions held by each of the Directors are given below.

Name of Director	Category of Directorship	No. of Board Meetings attended during the year	Attendance at last AGM held on 14/07/2016	No. Of other Companies in which Director as on the date	No. of committees (other than the Company) as Chairman / Chairperson / Member
Mr Mahendra Kumar Sharma	Independent Non-Executive Chairman	10	Yes	10	3 (Chairman in 2 out of 3)
Mr Anand Kripalu	Managing Director and Chief Executive Officer	10	Yes	1	Nil
Mr Sanjeev Churiwala[1]	Executive Director and Chief Financial Officer	NA	Yes	3	Nil
Mr V K Viswanathan[2]	Independent Non-Executive Director	3	Not Applicable	8	6 (Chairman in 3 out of 6)
Dr (Mrs) Indu Shahani	Independent Non-Executive Director	8	Yes	7	5 (Chairman in 1 out of 5)
Mr D. Sivanandhan	Independent Non-Executive Director	10	No	12	4
Mr Rajeev Gupta	Independent Non-Executive Director	7	No	8	4
Mr Vinod Rao	Non-Executive Nominee Director	8	Not Applicable	Nil	Nil
Mr John Thomas Kennedy[3]	Non-Executive Nominee Director	3	Not Applicable	Nil	Nil
Mr Randall Ingber[4]	Non-Executive Nominee Director	1	Not Applicable	Nil	Nil
Dr Nicholas Bodo Blazquez[5]	Non-Executive Director	5	No	Nil	Nil
Mr Sudhakar Rao[6]	Independent Non-Executive Director	1	Not Applicable	11	7 (Chairman of 1)
Mr Ravi Rajagopal[7]	Non-Executive Director	5	No	Nil	Nil

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

[1] Appointed as an Executive Director of the Company with effect from April 1, 2017.

[2] Appointed as an Additional Director in the capacity of Independent Director with effect from October 17, 2016.

[3] Appointed as a Non-Executive Nominee Director with effect from August 17, 2016.

[4] Appointed as a Non-Executive Nominee Director with effect from February 2, 2017.

[5] Resigned as a Non-Executive Director with effect from January 22, 2017.

[6] Resigned as a Non-Executive Independent Director with effect from May 19, 2016.

[7] Resigned as a Non-Executive Director with effect from October 13, 2016.

NOTE: The above details are in respect of their Directorships only in Indian Companies and Committee membership in only Audit Committee and Stakeholders Relationship Committee.

2.6. Other Corporate Governance Requirements

In compliance with Regulation 23, the Company has framed policy on Related Party Transactions which can be viewed through the web link http://www.diageoindia.com/investor.aspx

Regulation 24 with respect to Independent Directors on Unlisted Material Subsidiaries is not applicable. During the financial year, the Independent Directors have been familiarised about the Company through various programs and the same can be viewed through the web link http://www.diageoindia.com/investor.aspx and other requirements of Regulation 24 to the extent applicable are complied with.

Regulation 25 with respect to Independent Directors are complied with.

Regulation 26 with respect to Directors and Senior Management has been complied with to the extent applicable.

Regulation 27 with respect to quarterly compliance report has been complied with.

Regulation 46(2)(b) to Regulation 46(2)(i) pertaining to disseminating information on website has been complied with.

The declarations by the Independent Directors pursuant to Section 149(7) read with Section 149(6) of the Companies Act have been given and the requirements in relation thereto complied with in accordance with the requirements of the Companies Act.

Other requirements of Corporate Governance as per the SEBI (LODR) Regulations are disclosed on the Company's website www.diageoindia.com

2. 7 Disclosures regarding appointment and reappointment of directors

a. Directors retiring by rotation and being proposed for reappointment:

Mr Vinod Rao (DIN: 01788921)

Mr Vinod Rao was appointed as Director in previous AGM. He is liable to retire by rotation and has offered himself for re-appointment. His brief profile is given in the Notice of the 18th AGM.

b. Appointment of Directors

i. Mr V K Viswanathan (DIN: 01782934)

Mr V K Viswanathan was appointed as an additional Director with effect from October 17, 2016 and he will hold office of director upto the date of the ensuing AGM pursuant to the provisions of the Companies Act. He is proposed to be appointed as an Independent director at the 18th AGM. His brief profile is given in the Notice convening 18th AGM.

ii. Mr Randall Ingber (DIN: 07529943)

Mr Randall Ingber was appointed as an additional Director with effect from February 2, 2017 and he will hold office of director upto the date of the ensuing AGM pursuant to the provisions of the Companies Act, 2013. He is proposed to be appointed as a director at the 18th AGM. His brief profile is given in the Notice convening 18th AGM.

iii. Mr John Thomas Kennedy (DIN: 07529946)

Mr John Thomas Kennedy was appointed as an additional Director with effect from August 17, 2016 and he will hold office of director up to the date of the ensuing AGM pursuant to the provisions of the Companies Act, 2013. He is proposed to be appointed as a director at the 18th AGM. His brief profile is given in the Notice convening 18th AGM.

3. Audit and Risk Management Committee

3.1 The Audit and Risk Management Committee constituted by the Company is presently comprised of 5 directors as follows:

Mr V K Viswanathan (Chairman)	Non-Executive Independent Director
Dr (Mrs) Indu Shahani	Non-Executive Independent Director
Mr D. Sivanandhan	Non-Executive Independent Director
Mr Rajeev Gupta	Non-Executive Independent Director
Mr Vinod Rao	Non-Executive Director

3.2 Pursuant to the provisions of Section 177 of the Companies Act and the provisions of the SEBI (LODR) Regulations, the brief description of the terms of reference of the Audit and Risk Management Committee are given below:

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

c. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

   i. Major accounting entries based on exercise of judgment by management;
   ii. Qualifications in draft audit report;
   iii. Significant adjustments arising out of audit; and
   iv. Disclosure of any related party transactions.

d. Reviewing with the management, performance of statutory and internal auditors, external and internal auditors, the adequacy of internal control systems, risk management systems.

e. Reviewing the adequacy of internal audit function including the structure of the internal audit department, reporting structure coverage and frequency of internal audit.

f. Discussion with internal auditors on any significant findings and follow up thereon.

g. Reviewing the findings of any internal investigations by the internal auditors and external consultants into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

h. Discussion with statutory auditors before the audit commences, nature and scope of audit as well as post-audit discussions to ascertain any area of concern.

i. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

3.3 The Audit and Risk Management Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2017 and has recommended its adoption. In addition, the Audit and Risk Management Committee has also reviewed the unaudited quarterly results for quarter ended June 30, 2016, quarterly and six months ended September 30, 2016 and quarterly and nine months ended December 31, 2016 (which were subjected to a limited review by the Statutory Auditors of the Company) and the audited financial results for the year ended March 31, 2017.

3.4 During the financial year under review, 10 meetings of the Audit and Risk Management Committee were held, i.e., on April 28, 2016, May 12, 2016, May 25, 2016, June 8, 2016, July 8, 2016, July 14, 2016, July 25, 2016,October 27, 2016, January 21, 2017 and March 27, 2017. The details of attendance by members of the Audit and Risk Management Committee at such meetings are as stated below. (These details should be read with the information on appointment to and cessation of membership in the Audit and Risk Management Committee, set out above).

Name of the director	No. of meetings entitled	Meetings attended
Mr V K Viswanathan[1] (Chairperson)	3	3
Dr (Mrs) Indu Shahani	10	9
Mr Vinod Rao[2]	7	7
Mr D. Sivanandhan	10	9
Mr Rajeev Gupta	10	7
Mr Mahendra Kumar Sharma[3]	8	8
Mr Ravi Rajagopal[4]	7	5
Mr Nicholas Bodo Blazquez[5]	7	4
Mr Sudhakar Rao[6]	2	1

[1] Appointed as Member and as Chairman of the Committee with effect from October 17, 2016 and January 1, 2017 respectively.

[2] Appointed as member of the Committee with effect from May 26, 2016

[3] Ceased to be a Member of the Committee with effect from January 1, 2017

[4] Ceased to be a Member of the Committee with effect from October 13, 2016 consequent upon his resignation to the directorship.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

[5] Ceased to be a Member of the Committee with effect from January 22, 2017 consequent upon his resignation to the directorship.

[6] Ceased to be a Member of the Committee with effect from May 19, 2016 consequent upon his resignation to the directorship.

4. Nomination and Remuneration Committee

4.1 The Nomination and Remuneration Committee (NRC) constituted by the Company comprises at present the following Directors:

Dr (Mrs) Indu Shahani (chairperson)	Non-Executive Independent Director
Mr D. Sivanandhan	Non-Executive Independent Director
Mr John Thomas Kennedy[1]	Non-Executive Director

[1] *Appointed as member of the NRC with effect from October 27, 2016*

4.2 In addition, during the financial year, Dr Nicholas Bodo Blazquez has ceased to be a member of the NRC with effect from January 22, 2017.

4.3 Keeping in view of the provisions of Section 178 of the Companies Act and the provisions of the SEBI (LODR) Regulations, brief description of the terms of reference of the NRC are given below:

a. Assist the Board of Directors of the Company to:
   i. determine, review and propose compensation principles and policy of the Company
   ii. assess and review compensation plans recommended by the management;
   iii. recommend the compensation packages of the Company's Executive Directors.

b. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board of Directors their appointment and removal and shall carry out evaluation of every director's performance.

c. Approve and recommend matters relating to compensation by way of salary, perquisites, benefits, etc., to the Managing/Whole Time/ Executive Directors of the Company.

d. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration for the directors including Independent directors, key managerial personnel and other employees.

   The policy shall, inter alia, cover termination payments to the Executive Committee members and other Senior Executives and oversight of the same by the Committee.

   The remuneration policy shall set guidelines for the Executive Committee/ Managing Director to approve remuneration to the Managing Committee members and their direct reports and other executives.

e. Review and recommend to the Board of Directors for approval any mandatory disclosures of the Management compensation.

f. Review and reassess the adequacy of the charter and perform annual self-evaluation of the performance of the Committee.

g. Carry out any other acts and deeds as may be delegated by the Board of Directors and deal with such other matters as may be prescribed under the Companies Act, the SEBI (LODR) Regulations and other statutory enactments.

h. Provide guidance to the Human Resources Department to set up policy and procedure for succession planning of Key Managerial Personnel and other senior management of the Company.

i. Approve any share incentive or other plans for the employees of the Company.

4.4 During the financial year under review four meetings were held i.e., on April 28, 2016, June 8, 2016, July 26, 2016 and September 26, 2016. The details of attendance by members of the Committee at such meetings are as stated below.(These details should be read with the information on appointment to and cessation of membership in the NRC, set out above.)

Name of the director	No. of Meetings	Meetings attended
Dr (Mrs) Indu Shahani	4	4
MrJohn Thomas Kennedy[1]	NA	NA
Mr D. Sivanandhan	4	4
Dr Nicholas Bodo Balzquez[2]	4	1

[1] Appointed as member of the NRC with effect from October 27, 2016
[2] Ceased to be a member of the NRC, due to resignation to the directorship with effect from January 22, 2017.

4.5 Remuneration of directors

Policy: The policy on Directors/senior appointments sets out the guidelines for the executive committee members/Managing Director/Key Managerial Personnel based on the terms of reference of the committee. The said policy is available on the Company's website www.diageoindia.com .

The details of remuneration paid/ payable to the directors during the financial year April 1, 2016 to March 31, 2017 are given below.

A. Managing Director: Mr Anand Kripalu

i. Mr Anand Kripalu was appointed as Chief Executive Officer with effect from May 1, 2014 and as Managing Director and Chief Executive Officer of the Company for a period of five years with effect from August 14, 2014. The terms and conditions of appointment and remuneration of Anand Kripalu were as set out in the resolution approved by the shareholders at the AGM held on September 30, 2014 and as per the applicable rules of the Company. The remuneration was revised at the AGM held on November 24, 2015 with effect from July 1, 2015. There is no severance fee and the notice period is six months. The performance criteria was as determined by the Nomination and Remuneration Committee.

During the year, the remuneration was revised at the Board meeting held on October 27, 2016 which is within the overall limit approved by the shareholders of the Company at their meeting as mentioned above. The remuneration paid to Mr Anand Kripalu as Managing Director and Chief Executive Officer during the year ended March 31, 2017 is given in **Annexure 4** to the Directors Report.

B. Non - Executive Directors

i. Sitting Fees have been paid to Non-Executive Directors for attending Board/ Committee Meetings as specified in the table below (which table should be read with information regarding the appointment, re-appointment, resignation or retirement of such directors provided in the preceding sections of this Corporate Governance Report). They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred for attending such meetings in accordance with the Board approved policies for such reimbursements.

Other than the sitting fees and reimbursement of expenses, no other remuneration was paid. No securities/ convertible instruments were issued or allotted to any of the non- executive directors during the financial year.

Name of the Non-Executive Director	Sitting fees (₹)
Mr Mahendra Kumar Sharma	1,400,000
Mr V K Viswanathan	450,000
Dr Nicholas Bodo Blazquez	250,000
Mr Sudhakar Rao	175,000
Mr D. Sivanandhan	1,600,000
Mr Ravi Rajagopal	750,000
Mr Rajeev Gupta	1,050,000
Dr (Mrs) Indu Shahani	1,400,000

ii. Non-Executive Directors are also eligible for commission every year not exceeding one per cent of the net profits of the Company as approved by the shareholders at the AGM held on September 30, 2014. Such commission are determined based on the recommendation of the Nomination and Remuneration Committee and as approved by the Board of Directors.

iii. Details of commission to the Non- Executive Directors for the Financial Year 2016-17 is given below:

Sl. No.	Name of the Directors	Amount (in ₹)
1	Mr Mahendrakumar Sharma	4,651,745
2	Mr D Sivanandhan	3,872,485
3	Mr Sudhakar Rao	523,203
4	Mr Rajeev Gupta	3,300,000
5	Dr Indu Shahani	3,872,485
6	Mr Ravi Rajagopal	1,853,525
7	Mr V K Viswanathan	1,565,503
8	Dr Nicholas Bodo Blazquez	1,908,281

C. Particulars of Equity Shares of the Company currently held by Directors

As on the date of this Report Mr V K Viswanathan is holding 153 Equity shares in the Company and apart from that none of the other Directors are holding any Equity Shares in the Company.

D. Performance Evaluation of Independent Directors.

Pursuant to the provisions of the CompaniesAct and Regulation 34(3) read with Schedule V(C)(4) (d) of the SEBI (LODR) Regulations, the Committee has prescribed performance evaluation criteria for

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

independent directors as well as for the directors, the committee and the Board.

5. Stakeholders' Relationship Committee

5.1 The Stakeholders' Relationship Committee (SRC) constituted by the Company and is presently comprised as follows :

Mr D. Sivanandhan (Chairperson)	Non-Executive Independent Director
Dr (Mrs) Indu Shahani	Non-Executive Independent Director
Mr John Thomas Kennedy[1]	Non-Executive Director

[1] *Appointed as member of the SRC with effect from October 27, 2016*

5.2 In addition,during the financial year, Mr Ravi Rajagopal has ceased to be a member of the SRC with effect from October 13, 2016.

5.3 Keeping in view the provisions of section 178 of the Companies Act and the provisions of the SEBI (LODR) Regulations, the terms of reference of the Stakeholders Relationship Committee are as follows:

a. Review the redressal of shareholders', debenture holders' and depositors' or any other security holders' grievances/ complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, non- receipt of interest warrants, etc., and ensure cordial relation with the Stakeholders.

b. Review the adherence to service standards relating to the various services rendered by the Company and Company's Registrars & Transfer Agents.

c. Review the status of the litigations, complaints / suits filed by or against the Company relating to the shares/ fixed deposits, debentures or any other securities of the Company before any Courts / other appropriate authorities, and in particular where directors are implicated or could be made liable.

d. Review the impact of enactments/ amendments made by the Ministry of Corporate Affairs/ Securities and Exchange Board of India and other regulatory authorities on matters concerning the Stakeholders in general.

e. Review matters relating to transfer of unclaimed and unpaid dividend, matured deposits, interest accrued on the matured deposits, debentures etc., to the Investor Education and Protection Fund as specified under the Companies Act.

f. Review the status of claims received for unclaimed shares and dividend on unclaimed shares.

g. Review the initiatives taken to reduce quantum of unclaimed dividends / unclaimed deposits.

h. Act on such further terms of reference as may be considered necessary and specified by the Board in writing from time to time.

i. Review service standards and investor service initiatives undertaken by the Company.

5.4 Mr V. Ramachandran, Company Secretary, is the compliance officer of the Company.

5.5 During the financial year under review one meeting was held on May 26, 2016.

5.6 The details of attendance by members of the Committee are as below.(These details should be read with the information on appointment to and cessation of membership in the Stakeholders' Relationship Committee, set out above.)

Name of the Director	No. of Meetings	Meetings attended
Mr D Sivanandhan (Chairman)	1	1
Mr John Thomas Kennedy	NA	NA
Dr (Mrs) Indu Shahani	1	1

5.7 The Company/Company's Registrars received 40 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

Sl. No.	Complaints relating to	No. of Complaints received	No. of Complaints resolved
1	Non-receipt of refund order / allotment letter	Nil	Nil
2.	Non-receipt of Dividend/Interest on Shares/ Debentures/ Fixed Deposits/maturity amount on debentures	3	3
3	Non-receipt of share certificates	36	36
4	Non-receipt of Annual Report/ Rights forms/ Bonus shares/interest on delayed refund/ Dividend and Interest	1	1
5	others	Nil	Nil
	Total	40	40

The number of complaints received during each of the quarters of the financial year 2016-17 were 17, 10, 10 and 3.

In addition to the above, there are a few shareholder litigations where the Company has been made a party to such disputes.

5.8 Dividend Distribution Policy

Pursuant to Regulation 43A of SEBI (LODR) Regulations, 2015 the Company has framed a Dividend Distribution Policy which lays out the parameters to be considered while declaring dividend. The said policy is available on the website of the Company www.diageoindia.com .

6. Corporate Social Responsibility Committee

6.1 The Corporate Social Responsibility (CSR) Committee constituted by the Company is presently comprised as follows:

Dr (Mrs) Indu Shahani (Chairperson)	Non-Executive Independent Director
Mr D. Sivanandhan	Non-Executive Independent Director
Mr Anand Kripalu	Managing Director and Chief Executive Officer

6.2 During the financial year under review, one meeting was held on May 26, 2016. The details of attendance by members of the CSR Committee are as below. (These details should be read with the information on appointment to and cessation of membership in the CSR Committee, set out above).

Name of the director	No. of meetings	Meetings attended
Mr D. Sivanandhan	1	1
Dr (Mrs) Indu Shahani	1	1
Mr Anand Kripalu	1	1

6.3 The CSR Report of the Company for the year ended March 31, 2017 has been approved by the board and is provided in Annexure 7 as part of the Board Report. The copy of your Company's CSR policy is available on the Company's website at www.diageoindia.com.

7. General Committee

7.1 The Company also has a Committee of Directors with authority delegated by the Board of Directors from time to time, interalia, to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced, etc., dealing with matters relating to post amalgamation of companies and for other routine operations such as issue of power of attorney, operation of bank account setc.

7.2 The Committee is presently comprised as follows:

Mr D. Sivanandhan (Chairman)	Non-Executive Independent Director
Dr (Mrs) InduShahani	Non-Executive Independent Director
Mr John Thomas Kennedy[1]	Non-executive Director
Mr Anand Kripalu	Managing Director and Chief Executive Officer

[1] Appointed as member of the Committee with effect from October 27, 2016

7.3 In addition Mr Sudhakar Rao, who was Chairman of the Committee of Directors and Mr Ravi Rajagopal who was a member of the Committee ceased to be Chairman / member of the Committee of Directors, respectively, following their resignation on May 19, 2016 and October 13, 2016.

No meetings were held by the committee during the financial year.

8. General Meetings

8.1 The details of the last three AGMs held are furnished below:

Financial year ended	Date	Time	Venue
March 31, 2016	July14, 2016	4.00 p.m.	The Capitol Hotel, No. 3, Raj Bhavan Road, Bengaluru – 560 001
March 31,2015	November 24, 2015	2.30 p.m.	Level 1, UB Tower, #24, Vittal Mallya Road, Bengaluru – 560 001
March 31, 2014	September 30,2014	2.30 p.m.	Level 1, UB Tower, #24, Vittal Mallya Road, Bengaluru– 560001

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

8.2 The Special Resolutions passed by the shareholders at the past three AGMs are summarized below:

AGM held on	Subject matter of the Special Resolution
July 14, 2016	No Special Resolution was passed.
November 24, 2015	(i) Revision in the terms of remuneration payable to Mr Anand Kripalu as Managing Director and Chief Executive officer.
September 30, 2014	(i) Appointment of and remuneration payable to, Mr Anand Kripalu as Managing Director and chief executive officer (ii) Revision in terms of remuneration payable to Mr P.A. Murali, executive Director (iii) Approval of the borrowing limits (iv) Payment of Remuneration to Non-Executive Directors

8.3 All the special resolutions set out in the AGM Notices as above were passed by the Shareholders with the requisite majority.

9. Postal Ballot & Extraordinary General Meeting

9.1 The company has not passed any resolution through postal ballot, which were required to be passed through postal ballot as per the provisions of the act, and the rules framed thereunder.

9.2 During the year, no Extraordinary General Meetings were held.

9.3 As on the date of this report, no special resolution(s) is/are proposed to be passed through postal ballot.

10. Disclosures

10.1 The related party transaction sentered in to by the Company during the financial year ended March 31, 2017, have been disclosed in the Notes to Accounts and also in Form AOC-2, which forms part of Directors' Report.

10.2 During the financial year ended March 31, 2017, the Company has complied with the statutory requirements comprised in the SEBI (LODR) Regulations/ Guidelines / Rules of the Stock Exchanges / SEBI/ other statutory authorities and there have been no other instances of material non- compliance by the Company during such financial year, nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets. Please refer to Secretarial Audit Report in Annexure 3.

10.4 Code of Conduct

a. Your Company believes that good governance practiced with in the Company fosters the confidence and trust of all stakeholders. Your Company has a Compliance & Ethics team, which guides the employees on matters of compliance. Your Company is committed to conducting its business in an ethical manner. This code is reviewed by the Board from time to time.

b. As stated in the Board's report, your Company has a well-established vigil mechanism in place, which is managed by the Compliance & Ethics team. 'SpeakUp' is a confidential service available to employees to make a report when they believe there to be a breach of the Code, policies or applicable law. 'SpeakUp' is managed by an external agency, independent from the Company, with staff who are trained to deal with the call, and translators who are immediately available to assist if required. Access to the Chairman of the Audit Committee is made available in appropriate and exceptional cases, as required under the Companies Act and the SEBI (LODR) Regulations. All complaints are investigated by the Compliance and Ethics team and appropriate action taken in accordance with your Company's policies.

c. In compliance with SEBI (LODR) Regulations, the Company has adopted a Code of Business Conduct and Ethics (Code) for its Board members and Senior Management Personnel, a copy of which is available on the Company's website, www.diageoindia.com. All Board members and senior management personnel have affirmed compliance with the code for the year ended March 31, 2017 and a declaration to this effect signed by the MD & CEO forms part of this report. Pursuant to the requirements of the SEBI (LODR) Regulations, it is affirmed that no person who has sought access to the Audit Committee has been denied such access.

d. Pursuant to the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a Code of Conduct for Prevention of Insider Trading, applicable to all Directors and designated employees of the Company.

e. The Company has complied with all mandatory requirements of SEBI (LODR) Regulationsand has also adopted the non-mandatory requirements of the above mentioned regulations, to the extent shown in the subsequent sections of this Corporate Governance Report.

11. Means of Communication

11.1 The quarterly results are sent to all the Stock Exchanges where the shares of the Company a relisted. The results are normally published in "Business Standard"(English Daily) and "Kannada Prabha" (Kannada Daily). The results are displayed on the Company's website www.diageoindia.com. Press Releases are also issued which are also displayed on the Company's website. In addition presentations made to analysts or investors are also made available on the Company's website.

11.2 The required disclosures to the extent applicable including results were also sent to the Stock Exchanges.

11.3 The Company has designated an exclusive email address, i.e., uslinvestor@unitedspirits.in to enable investors to post their grievances and monitor redressal.

12. Management Discussion and Analysis Report

The Management Discussion & Analysis Report is appended to and forms an integral part of the Directors' Report.

13. General Shareholder Information

A)	Corporate Identification Number	L01551KA1999PLC024991
B)	AGM Date, Time and Venue	Wednesday, August 30, 2017 at 4.00 p.m. at The Capitol, No. 3, Raj Bhavan Road, Bengaluru–560001
C)	Financial year	April 1 to March 31
	Tentative Board Meeting calendar:	
	First Quarterly Results (FY 2017-18)	July 23, 2017
	Second Quarterly Results	October 26, 2017
	Third Quarterly Results	January 25, 2018
	Audited yearly Financial Results	May 24, 2018
	In addition, Board may also meet on other dates for transactingotherurgentbusinessorduetoany specific requirements	
D)	Date of Book Closure	Book Closure Date – August 24, 2017 to August 30, 2017 (both days inclusive)
E)	Dividend payment date	NA
F)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: BSE Limited Regular Office & Corporate Relations Dept) Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001 National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.

The listing fees dues as on date has been paid to the respective stock exchanges.

G)	Stock Code	
	BSE	Demat 532432 Physical 32432
	NSE	SYMBOL -MCDOWELL-N
H)	ISIN NO.	INE854D01016
I)	Market price data	(As per Annexure A)
J)	Stock performance in comparison to BSE Sensex and NSE Nifty	(As per Annexure B) (As per Annexure B)

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

K)	Registrar and Transfer Agents	Integrated Registry Management Services Private Limited (Formerly known as Integrated Enterprises (India)Limited), 30, Ramana Residency, 4th cross, Sampige Road, Malleswaram, Bengaluru - 560003 Tel. Nos.(080) 23460815-818 Fax No.(080)23460819
L)	Share Transfer System	The power to consider and approve share transfers/ transmission/ transposition/ consolidation/subdivision,etc., has been delegated to a Committee of Directors as indicated in para 7.1 of this report. The requirements under the SEBI LODR Regulations, 2015/statutory regulations in this regard are being followed.
M)	Distribution of Shareholding	As per **Annexure C**
N)	Dematerialisation of shares (as on march 31, 2017)	Depositories / Shares / % NSDL / 13,66,90,643 / 94.06 CDSL / 68,51,079 / 4.71 Total / 14,35,41,722 / 98.77
O)	Outstanding GDRs/ ADRs/ Warrants or any other Convertible Instruments	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 the shares held by the GDS holders had been converted to underlying shares. There are no outstanding GDS as on March 31, 2017. There is no change in the equity share capital of the Company during the year.
P)	Plant locations	1. Alwar (Rajasthan) 2. Asansol (West Bengal) 3. Aurangabad (Maharashtra) 4. Baddi (Himachal Pradesh) 5. Baramati (Maharashtra) 6. Bhadrakali (West Bengal) 7. Bhopal-I (Madhya Pradesh) 8. Bhopal-II (Madhya Pradesh) 9. Cherthala (Kerala) 10. Gopalpur-On-Sea (Orissa) 11. Gulbarga (Karnataka) 12. Hathidah (Bihar) 13. Hospet (Karnataka) 14. Hyderabad I (Nacharam, Telangana) 15. Hyderabad II (Malkajgiri, Telangana) 16. Kumbalgodu (Karnataka) 17. Meerut (Uttar Pradesh) 18. Nasik-I (Maharashtra) 19. Nasik-II (Maharashtra) 20. Palakkad (Kerala) 21. Palwal (Haryana) 22. Pathankot (Punjab) 23. Ponda (Goa) 24. Rosa (Uttar Pradesh) 25. Serampore (West Bengal) 26. Udaipur (Rajasthan) 27. Zuari Nagar (Goa)

Q)	Address for correspondence	Shareholder correspondence should be addressed to the Company's Registrars and Transfer agents: Integrated Registry Management Services Private Ltd (Formerly known as Integrated Enterprises (India) Limited) 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru 560 003. Tel. Nos. (080) 2346 0815-818, Fax No.(080) 2346 0819, Email: bglsta@integratedindia.in Investors may also write or contact Mr V. Ramachandran, Company Secretary or Mr B.L. Akshara, General Manager–Secretarial at the Registered Office of the Company at UB Tower, #24, Vittal Mallya Road, Bengaluru 560 001 Tel. Nos. (080) 3985 6500 / 2221 0705, Direct No. (080) 3985 6905, Fax no. (080) 3985 6862
R)	Email for investor grievances	In compliance with the provisions of regulation 46(2)(j) of the SEBI (LODR) Regulations, an exclusive email address, uslinvestor@unitedspirits.in has been designated for registering Investor complaints, which is available on the Company's website www.diageoindia.com

13.1 Pursuant to Part F of Schedule V of the SEBI (LODR) Regulations, an Unclaimed Suspense Account was opened with Stock Holding Corporation of India Limited on February 14, 2013 and the following unclaimed shares, were transferred to the Demat account titled United Spirits Limited Unclaimed Suspense Account" after the Company's Registrars & Transfer Agents sent three reminders to all the share holders whose share certificates were returned undelivered and remained unclaimed. During the year, your Company has released shares from the said suspense account upon receipt of requests from the shareholders and after checking veracity of such shareholder's claims. The details of such release of shares are given below.

Particulars	No. of shareholders	No. of equity shares held
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on April 01, 2016	5,478	500,060
Number of shareholders who approached issues for transfer of shares from Unclaimed Suspense Account during the year	35	15,154
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	35	15,154
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on Mach 31, 2017	5,443	484,906

13.2 Voting rights on the above unclaimed shares shall remain frozen until the rightful owner claims the shares.

14. Discretionary Requirements

Pursuant To Regulation 27(1) and Part E of Schedule II of SEBI (LODR) Regulations, Your Company also complied with the following discretionary requirement.

14.1 Shareholder Rights

The Company's quarterly results are published in English and Kannada Newspapers. The results are uploaded on the Company's website www.diageoindia.com. Hence, the same were not sent to the shareholders.

14.2 Audit qualifications

There are no qualifications in the Audit Report of the Statutory Auditors and the Secretarial Auditor for the year ended March 31, 2017.

14.3 Separate posts of Chairman and CEO

The Company has appointed separate persons to the posts of Chairman and of MD & CEO.

14.4 Reporting of Internal Auditor

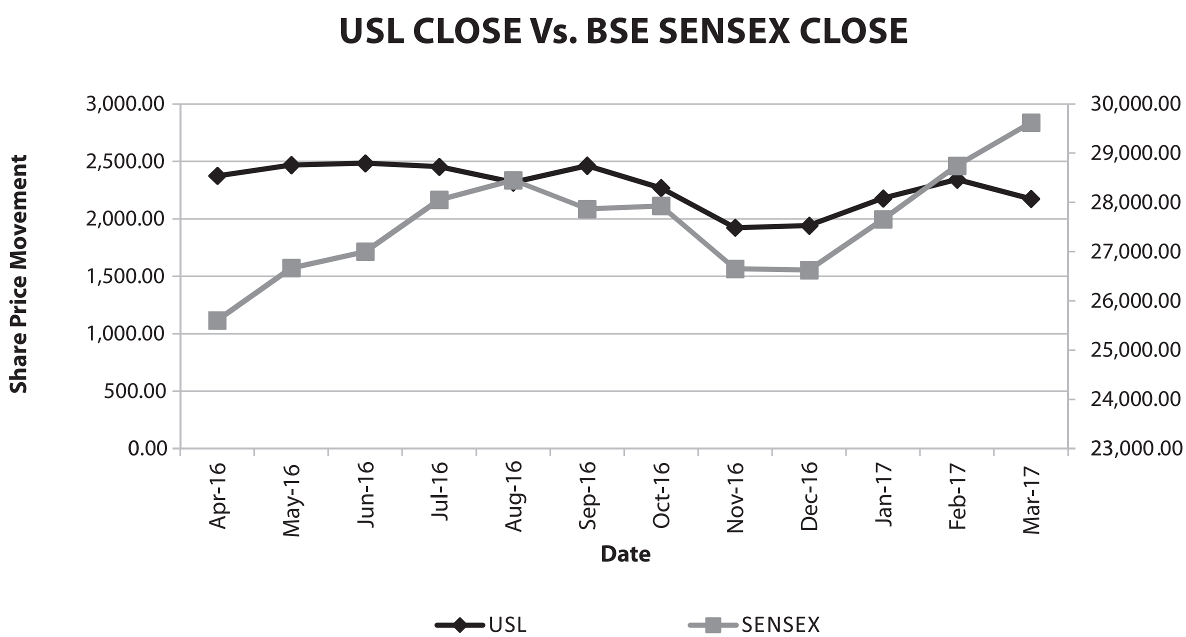
The internal auditor reports directly to the Audit Committee.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

ANNEXURE A: MARKET PRICE DATA

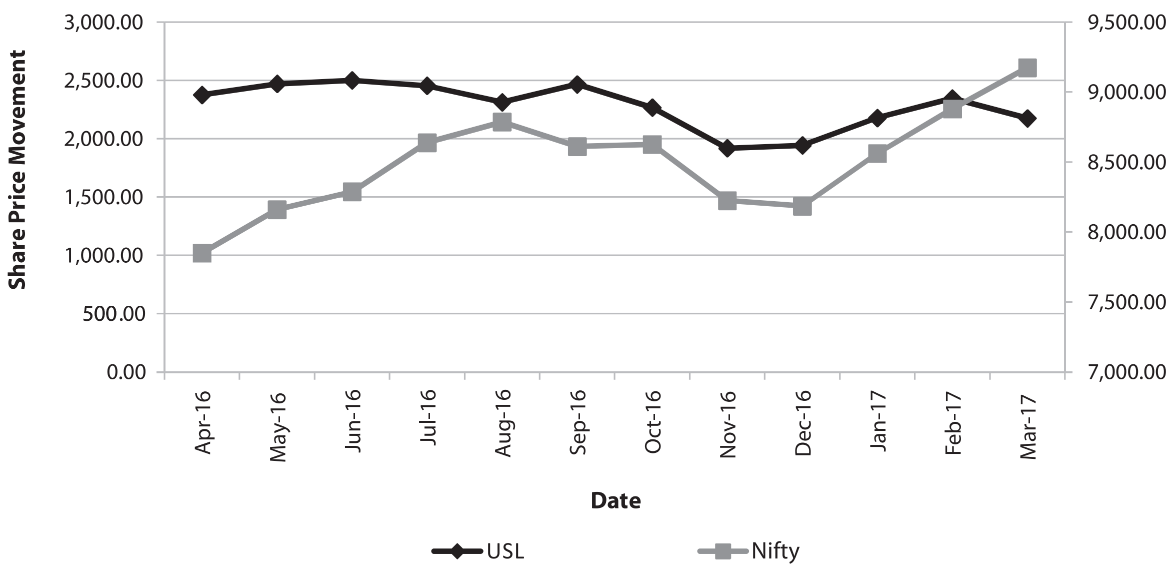
United spirits limited - Monthly BSE					United Spirits Limited-MonthlyNSE				
Month	High Price (₹)	Low Price (₹)	Close Price (₹)	Volume	Month	High Price (₹)	Low Price (₹)	Close Price (₹)	Volume
Apr-16	2,573.20	2,232.00	2,374.15	5,59,430	Apr-16	2,573.70	2,230.00	2,376.00	64,38,406
May-16	2,729.40	2,350.00	2,468.30	12,47,080	May-16	2,729.00	2,350.10	2,470.10	97,46,320
Jun-16	2,536.20	2,325.25	2,484.20	3,90,172	Jun-16	2,537.00	2,325.20	2,500.15	42,26,506
Jul-16	2,702.65	2,351.05	2,453.60	5,50,440	Jul-16	2,698.70	2,351.00	2,454.30	64,73,557
Aug-16	2,473.95	2,120.00	2,317.60	13,69,084	Aug-16	2,472.80	2,118.00	2,313.05	98,75,758
Sep-16	2,470.00	2,230.00	2,462.90	7,07,695	Sep-16	2,478.00	2,150.00	2,466.45	72,14,886
Oct-16	2,598.00	2,240.10	2,268.55	6,18,948	Oct-16	2,600.00	2,240.10	2,266.80	56,63,573
Nov-16	2,276.00	1,775.05	1,922.75	8,35,066	Nov-16	2,287.00	1,773.45	1,918.45	80,11,977
Dec-16	1,979.00	1,818.60	1,940.75	3,23,415	Dec-16	1,981.80	1,819.95	1,942.80	44,50,600
Jan-17	2,329.30	1,882.00	2,177.45	14,33,222	Jan-17	2,328.10	1,894.95	2,178.50	1,12,81,910
Feb-17	2,428.95	2,133.00	2,342.55	7,70,765	Feb-17	2,427.70	2,130.80	2,345.10	70,91,259
Mar-17	2,375.00	2,116.00	2,173.45	5,70,962	Mar-17	2,377.20	2,114.20	2,174.70	67,51,255

ANNEXURE B: UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX



CORPORATE GOVERNANCE REPORT *(CONTINUED)*

USL CLOSE Vs. NIFTY CLOSE



ANNEXURE C: DISTRIBUTION OF HOLDINGS (as on March 31, 2017)

Value Wise

Shareholding of nominal value ₹			Shareholders Number	Shareholders % to Total	Share amount ₹	Share amount % to total
Upto	-	5,000	93,448	96.88	60,507,280	4.16
5,001	-	10,000	1,360	1.41	10,156,920	0.70
10,001	-	20,000	649	0.67	9,325,880	0.64
20,001	-	30,000	250	0.26	6,368,800	0.44
30,001	-	40,000	106	0.11	3,742,030	0.26
40,001	-	50,000	90	0.09	4,151,730	0.29
50,001	-	1,00,000	200	0.21	13,984,300	0.96
100,001 and above			356	0.37	1,345,040,490	92.55
Total			**96,459**	**100**	**1,453,277,430**	**100.00**

Category Wise

Category	No. Of Shares	% of Equity Capital
Promoter Group	84,984,429	58.48
Resident body Corporate (including clearing members)	7,681,873	5.29
Banks/FI/FII/ MF/UTI/ Trust/Central/State Government & Insurance Companies	41,032,038	28.23
NRI / OCB / FCB/ Foreign Nationals	1,099,570	0.76
Venture Capital	113,283	0.08
Resident Individuals	10,416,550	7.17
Total	**145,327,743**	**100**

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,
United Spirits Limited
Bengaluru

I have examined the compliance of conditions of corporate governance, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by United Spirits Limited (the Company) for the year ended on March 31, 2017.

The compliance of conditions of corporate governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with all the applicable conditions of Corporate Governance as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

I further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Sudhir Vishnupant Hulyalkar
Company Secretary in Practice
FCS No: 6040, CP No. 6137

Place : Bengaluru
Date: July 23, 2017

CEO/CFO CERTIFICATE

A. We have reviewed the Standalone and Consolidated financial statements for the year ended March 31, 2017 and that to the best of our knowledge and belief

   1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

D. We have indicated to the auditors and the Audit committee:

   1. significant changes in internal control over financial reporting during the year;
   2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Bengaluru	Sanjeev Churiwala	Anand Kripalu
May 30, 2017	Executive Director and	Managing Director and
	Chief Financial Officer	Chief Executive Officer

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirement of Regulation 26(3) read with Schedule V Para D of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, code of conduct of the Company has been displayed at the Company's website www.diageoindia.com. All the members of the Board and the senior management personnel had affirmed compliance with the code for the year ended March 31, 2017.

Bengaluru	Anand Kripalu
May 30, 2017	Managing Director and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC SCENARIO

Global economy: After a lackluster out turn in 2016, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. However, there is a wide dispersion of possible outcomes around the projections, given uncertainty surrounding the policy stance of the incoming U.S. administration and its global ramifications. The global economy remained on a subdued growth path, estimated to growth at 3.1% in 2016 against 3.2% in 2015. With estimated growth of 6.3% in financial year (FY) 2016-17 (against 6.7% in the previous year), the emerging and developing Asian countries were the key contributors of the global growth, led by India and China.

Indian economy: Propelled by the central government's demonetization reform, market interest rates and yields on g-secs are expected to be lower in FY18 as compared to FY17, which is likely to provide a boost to the Indian economy. With fiscal gains resulting from demonetisation and implementation of GST also getting realized, India is likely to be the fastest growing major economy in the world during FY18. GDP is expected to grow to in the range of 6.75% to 7.50% against the 7.1% growth registered in FY17. **(Source: Economic Survey 2016-17 dated Jan 17)**

INDUSTRY OVERVIEW

Driven by the rapid increase in the urban population,the Indian spirits is on a high. Further boosting the market growth is the increasing disposable income and growing preference for whiskies, coupled with changing demographics. With over half the country's population (54%) above 25 years of age, and the estimated median age of the country's population pegged at 28 years, as of 2016, the growth metrics for the industry are quite favourable. A change in outlook towards social consumption of alcohol, improvement in life styles, increasing aspirations, growing prominence of 'pub and cocktail culture' in urban cities and emergence of novel Food & Beverage formats is further pushing demand for alcoholic beverages in the country. The per capita consumption of alcohol, however, was just above 2 litres of pure alcohol (lpa)/head in 2016. The Total Beverage Alcohol (TBA) market in India is pegged at ₹ 378347 millions, of this, Western style spirits accounts for over 52%,

GLOBAL AND INDIAN SPIRITS MARKET OVERVIEW

The year gone by was challenging for the Alcobev industry. Industry growth was pulled down by several factors during the year under review, and as a result, liquor consumption remained by and large flat. Consumption of Whisky was estimated to grow at 1.15% for FY17 while Spirits remained flat. Bihar, the fourth largest state by population, went dry in April, impacting the overall growth for the year by ~1.5%. The supply in Punjab was disrupted for a month due to procedural technical issues. Significant rise in tax had put the burden of overall cost on states like Andhra Pradesh, Telangana, Karnataka and Maharashtra.

Demonetisation impacted businesses by knocking off about 15%-20% of sales in November and December, impacting the overall year by another 1.5%. With many more police checks taking place, there has also been increased clampdown on drink-driving. The market has also been severely affected by the Apex Court's ruling banning liquor vendors within 500 metres of a state or national highway, which has caused significant disruption as many license holders simply stopped buying stocks. Due to this, some believe that up to 15% of retail outlets will be lost forever, although most expect that over time this supply will be replaced by alternatives.

India: India is one of the largest markets for spirits globally. Approximately 6% of the global alcohol beverage growth is driven by our country. Going ahead, almost 11% of the global spirits growth is expected to come from India.

Despite being a country with a population of about 1.3 bn, of which about 58% lies in the age group of 25 years or above, India's per-capita consumption of alcoholic beverages stands at approximately 4 litres per annum, which is quite low compared to various other developing countries where per capita consumption of alcohol exceeds 10 litre per annum.

Due to rising income levels, the pace of growth of consumption in Tier-2/3/4 cities as well as rural areas could outpace that in urban cities, going forward. Moreover, with the rise in disposable income, consumers would tend to upgrade their preferences, resulting in higher demand for prestige, premium and luxury segments.

Strong premiumisation trend: The Alcobev industry in India is witnessing significant changes influenced by western culture; thus a strong trend towards premiumisation is clearly visible. For the industry as a whole, the premium and above segment is expected to grow at a CAGR of 14% over 2016-2021, whereas the prestige segment is estimated to grow at 12% over the same period. Following the industry footprints, your Company is also strategically focusing on Prestige and above brands. Your Company is constantly working on renovation and innovation of its brands. To emphasize more on the same, your Company has chosen purpose-led marketing platforms and occasion driven special packs.

REGULATORY SCENARIO IN INDIAN MARKET

In India, the alcohol industry works in a highly regulated environment under both central and state governments. Additionally, national laws and regulatory bodies, such as the Food Safety and Standards Authority of India (FSSAI), also significantly impact the Alcobev industry. A spate of recent regulations has further tightened the regulatory controls on the industry. Some of the recent regulatory changes in the industry include –

1) Reduction in distance limit for liquor vendors to 220 meters from 500 meters in areas with population up to 20,000;
2) Exemption to hill states of Sikkim and Meghalaya; and
3) Permission to liquor shops whose licenses had not expired by April 1, 2017 to continue until their permits expire or until September 30, 2017.

As a result, nearly a third of liquor outlets will be impacted and migration of these could take time. The resultant disruption will impact the revenues of liquor firms. This ruling will lead to short-term disruptions as liquor vendors relocate, although it is unlikely to significantly impact medium to long term growth prospects for the industry.

- ***Goods and Services tax (GST):***

  Under the GST regime, liquor is excluded from the GST net. Undenatured ethyl alcohol, which is a key ingredient for the spirits industry, has been kept out of GST. GST rate on molasses has increased by 10% to 18%, whereas the rate on new packaging materials has increased by 6% to 18%. The general tax on services has increased by 3% to 18%. As a result of this new regime, the alcobev manufacturers will not get input credit on all input taxes in the supply chain. This is likely to have an unfavourable impact on margins. Your Company will continue to work with the central government to mitigate this impact, and will approach the state governments for appropriate price increases.

- ***Price control over material:***

  Despite the rising cost of ethanol, one of the major raw materials used by the industry, aggressive productivity-led initiatives enabled the Company to save ₹ 2000 million in material costs during the year. This compared quite favourably with the ₹ 1400 million savings secured during FY16. Integration with the Diageo supply chain is also creating some avenues for better pricing efficiencies in the system, which is also expected to gain from the Government of India's efforts to source ethanol from low-cost alternative sources such as bio-waste and feedstock (wheat, straw, corn straw, rice straw, etc). Realisation of these efforts would help improve availability of ethanol and stabilize prices.

BUSINESS ANALYSIS

Company overview

Founded in 1826, United Spirits Limited (USL/your Company) is India's largest spirit company, involved in the manufacture, sale and distribution of beverage alcohol. Your Company produces and sells around 90mn cases of Scotch whisky, IMFL whisky, brandy, rum, vodka, gin and wine.

The Company's portfolio includes brands such as McDowell's No.1, Royal Challenge, Signature, and Antiquity, among others. Your Company also imports, manufactures and sells Diageo's iconic brands such as Johnnie Walker, VAT 69, Black & White, Smirnoff and Ciroc in India.

Your Company is a subsidiary of Diageo plc - a global leader in beverage alcohol with an outstanding portfolio of brands across spirits, beer and wine categories. Pursuant to its acquisitions in 2013 and 2014, Diageo plc has a 54.8% shareholding in your Company, making India one of its largest markets.

Strengths

- Your Company has 18 brands in its portfolio which sell more than a million cases every year, of which 4 brands sell more than 10 million cases each annually. The Company exports to over 37 countries across the globe.
- With its 60 manufacturing facilities spread across states and union territories in Indian and also its presence through franchisee partners in other parts of countries. Your Company not only ensures faster turnaround of products but also minimizes risks related to local states' policy changes.
- The Company's product portfolio caters to all types of customer needs. It has a wide range of products across whisky, vodka and rum, and caters to the entire consumer spectrum across the social strata with its luxury, premium, prestige and popular spirits categories.
- The Company has long-term association with most of the raw material suppliers which has enabled uninterrupted

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

production and smooth supplies of key inputs. Similarly, strong distribution ensures continuous supplies to all key markets, as well as reach to all of the 81,000 retail outlets.

- The Company has an in-house Technical Centre for research on new products, analytics and sensory sciences, process R&D, special spirits and flavour management. It also employs highly qualified and experienced scientists, who work consistently and with dedication towards innovative product and process development.
- Over 5,000 strong work force is a key to its success, with employees partnering it in realising the vision of being the best performing, most trusted and respected consumer product Company in India.

Business performance

Post 2014, under the new leadership of Diageo, your Company has been on a transformational journey to improve its operations. The Company has set out a strategic road map which includes its five strategic pillars to steer its future growth trajectory. These are:

1. Strengthen and accelerate core brands

   Transformation of its key brands to win greater market share is a major agenda for the Company. The main beneficiaries of this approach are Signature, McDowells, Royal Challenge, Black Dog among others. From renovating brands, diversification within the geographies and enhancing the customer reach, your Company has been making significant strides in its journey of transformation. Your Company has upgraded three of its key brands viz. (1) McDowell's No. 1 whiskey, (2) Royal Challenge whiskey and (3) Signature whiskey and the Company's innovation pipeline during the year 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.

   It has been the Company's endeavour to strengthen and accelerate its core brands through continued investment, to win across each of the 3 India's - Affluent, Middle and Aspiring. Renovation and rejuvenation of the existing brands is another key aspect of this strategy, which also involves innovation and introduction of new to market brands.

2. Evolve route to consumer

   The Company's focus in this area is on leveraging outlet as a media to build brand imagery in the luxury, premium core and prestige core categories, especially keeping in view the prohibition on liquor advertising in India. Consumer-winning activations are used to create demand, with trade emerging as the ambassador for the Company's business in these categories. In the popular category, the Company leverages scale to promote the route to consumer. The thrust on this front is on creation of a `sell-out' culture, with 20% of the country's alcobev stores being converted into `Perfect Stores'.

3. Drive out costs to invest in growth

   To mitigate pricing shortfall and improve margins, the Company continues to strengthen its productivity programme, which was launched in FY15. Procurement efficiencies are continuously boosted and network optimization is also enabled to enhance productivity.

4. Corporate citizenship

   As a responsible corporate citizen, the Company continues to influence public policy through innovative initiatives, along with programme activations to ensure road safety and empower women.

5. Creating a future-ready organisation

   To create a fit-for-purpose organization, the Company is going in for right sizing, while bringing in new capabilities and creating a performance-led culture. Targeted improvement interventions to measure employee engagement are also undertaken on a regular basis. Having established a practice of following highest compliance and governance standards, the Company has also played leadership role in shaping the regulatory landscape in the industry. Your Company has added new capabilities in all business aspects, and has improved systems and key processes thereby right sizing the Company for future growth.

Operating model changes through Franchising

During the year under review, in line with the Company's approach to selectively participate in the popular segment, the Company 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 your Company brands in Kerala effective 1 January 2017.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

The Company has entered into additional agreements to franchise popular segment brands in Union Territory of Puducherry, Union Territory of Andaman and Nicobar, Chandigarh and Rajasthan effective April 1, 2017, in Madhya Pradesh, Himachal Pradesh, Jammu and Kashmir and Delhi effective 1 May 2017 and in Sikkim and Uttar Pradesh effective from June 1, 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.

These changes will allow your Company to further improve it's operating model and focus the business on the biggest profitable growth opportunities.

Volume and net sales for these franchised brands accounted for 10.3 million cases and approximately ₹ 6,400 million net sales in the full year ended March 31, 2017.

Business Review - Revenue and revenue mix

The Company's growth in the past few years has been encouraging and was supported by a strategic revenue mix, up gradation and strengthening of brands. With the Diageo brand portfolio integration, your Company is today a market leader by volume and value, and it also holds a place of pride in the Indian alcobev industry, with an outstanding portfolio of reputed brands across key categories and multiple price points.

The Company has successfully improved both top line and operating profit in a highly regulated and competitive environment, while further strengthening its core brands to leadership position across all segments. The company's performance in the popular segment reflects its prioritized geographical participation strategy, while its double digit net sales growth in the "Prestige and Above" segment clearly endorses the success of its premiumisation strategy.

During the year, the Company has achieved a sales volume of 90mn cases and net sales of ₹ 85,480 million in the financial year ended March 31, 2017. Overall volume declined 3% and net sales were up 4% impacted primarily by Bihar prohibition and one off impact of operating model changes. Excluding the one-off impact volumes were up 1% with net sales up 8% despite a subdued economic environment mainly impacted by demonetisation and the run up to the highway ban.

The Prestige & Above segment represents 41% of total volumes and 58% of total net sales, up 4 ppts and 5 ppts respectively compared to last year. The Prestige and Above segment net sales were up 13% with 5ppts positive price/mix. Positive price/mix was driven by selective price increases in certain states and continued focus on premiumisation and brand renovation in the segment. 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%. The 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.

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 witnessed a decline of 10% in volumes and 9% in revenue during the year, impacted by Bihar prohibition and one off impact of operating model changes. Excluding the Bihar prohibition and one off impact of the operating model changes, the popular segment 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.

Net Debt

During the year the company utilized its cash from operations to repay its loans which has led to a reduction in net debt. This reduction in debt value together with renegotiation of borrowings and favourable mix of debt instruments reduced the total interest cost in the full year. Significant improvement in your Company'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 the Company to access more economical sources of debt leading to lower interest cost and increased shareholder value.

OUTLOOK

Your Company is the market leader in terms of value (with a market share of 44%) and the market dynamics are highly attractive, given the foray of global players in the Indian market,

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

and a visible shift to premiumisation, as well as the shift to the franchisee model in some states. Your Company enjoys a strong portfolio of brands (supported further by Diageo's brands), and a focused strategy towards profitability by new management could lead to meaningful gains on the margin front from the current levels. Better pricing, strong cost optimization focus and a more rational competitive landscape (focus on profits vs volume) should lead to an overall higher industry profit pool. Strategic initiatives such as moving selectively to asset light/franchisee model and monetizing non-core assets would further help boost medium-term returns. GST-related concerns, however, will likely continue to weigh on the stock performance over the short term. (Source: JP Morgan's Report dated 03.04.17)

RISKS & CONCERNS, OPPORTUNITIES & THREATS

Risks & Concerns

- The industry operates in a tightly regulated environment. Regulations pertaining to pricing, licensing, setting up or expansion of new facilities/ existing brewing / distilling and bottling capacities, manufacturing processes, marketing, sales & advertising and distribution pose a challenge. Any adverse rulings for any of the business processes can lead to disruptions.
- The Company operates in a scenario where there are regulatory barriers for offsetting cost inflation through pricing. The Company has to represent to state governments to get price increase even to merely offset inflation, which may take several years in some cases.
- Recent regulations from the apex court for the distance limit in highways and licensing requirements require the industry to change its distribution reach.
- Along with Central Government regulations, every state government has its own rules and regulations, tax rates and duties for inter-state movement of liquor.
- Banning of alcohol in certain states of India is also a matter of concern, impacting industry growth whilst not delivering the stated objectives of public health.
- The Company has taken steps to mitigate risks due to drinking and driving through its 'Responsible Drinking' initiatives as highlighted in the CSR Report appearing in Annexure 7 of the Directors' Report, showcasing the corporate social responsibility initiatives of the Company.

Opportunities

- Fixed fee-based franchise model in specific states is likely to aid in margin expansion as it may reduce your Company's exposure in low-margin states.
- The Company has strategically revamped its key brands and introduced them in 'Prestige and Above' segment, thus making it well placed to tap the emerging opportunities.
- Favourable volume mix combined with changing consumer preferences towards premium brands will keep long-term revenue growth healthy.
- Strengthened governance structure and business synergies, and strong execution of Diageo shall also aid your Company's in achieving new scales.
- India's favourable demography and changing life styles are favourable for alcohol consumption.

Threats

- Stricter norms on distribution channels by regulators will require distribution channels to be reorganised.
- Increasing competition by foreign players especially in premium segment
- Your Company's significant share of volume is from the states; since states control pricing, the Company is exposed to pricing changes by state government.
- Rising prices and improved quality and packaging of Indian Made Indian Liquor (IMIL) has led to increase in consumption of IMIL.

INTERNAL CONTROL SYSTEMS

The Company's internal control systems are commensurate with the size and industry in which it operates. Your Company has well-defined and adequately documented systems, policies, procedures and guidelines that have been reviewed by the Board and external parties. The Company strictly follows the laws, rules and statues of the land. It ensures stringent compliance at all levels, and across all divisions and departments, for safeguarding its assets, prevention and detection of fraud and errors, completeness of accounting records and timely preparation of financial statements. Statutory Auditors have also confirmed the same in their audit report on the Financial Statements for the year.

MANAGEMENT AND BOARD

Pursuant to the acquisition of shares of the Company by Diageo plc's subsidiary Relay BV, in 2013 and 2014, the Company is a direct subsidiary of Relay BV and an indirect subsidiary of Diageo plc. Details on the changes in the Board and senior management are provided in the Corporate Governance Report.

HUMAN RESOURCES

Your Company believes that its people are its most important asset and thus continuously strives to scale up its employee engagement through well-structured systems and a visionary HR philosophy. Now a family of over 5,000+ (including permanent employees at plants), the Company is focusing on in its diversity and inclusion agenda, with special emphasis on the induction and retention of more women in the workforce. Your Company is committed to nurturing an open environment which allows for easy assimilation of ideas and enriches the organisation's collective knowledge pool.

The Company aspires to evolve into a future-ready organization, centred on promoting a collaborative and cohesive culture. In the process, it has undergone a rigorous restructuring exercise, with its sights set on making it an even more functional organization. The year witnessed integration of all hierarchical levels from 18 Levels to 6 Levels, in order to align it to the Diageo's Global blueprint. This shall facilitate the organisation to become much more agile, faster and accountable, thus enabling faster decision-making.

During the year, the Company delivered 5965 mandays of training to its employees. The Company continuously invests in role-based training and upskilling of its employees at all levels to ensure that they remain at the forefront of skill-set upgradation in the industry. The Company has always believed in nurturing the people to elevate them to higher leadership roles. Performance appraisals take place every six months, giving every employee sufficient time to meet his/ her role requirements. The Company maintains cordial relationship with its employees at all its manufacturing units.

FORWARD LOOKING STATEMENTS / CAUTIONARY STATEMENT

This Report contains forward-looking statements that involve risks and uncertainties. Your Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements could differ materially from those expressed or implied in such forward looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

ANNEXURE 1

Details of Subsidiaries, Associates and Joint Ventures

Form AOC 1

(Pursuant to the provisions of Section 129(3) of the Act, read with Rule 5 of Companies (Accounts) Rules,2014) Statement containing as on March 31, 2017 salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part A: Subsidiaries

Sl. No.	Name of the Subsidiary	Financial year ended	Currency	Closing exch rate	Average exch rate	Share capital	Reserves & surplus	Total assets	Total liabilities	Invest-ments	Turn over	Profit/ (loss) before taxation	Provision for taxation	Profit/ (loss) after taxation	Proposed dividend	% of share holding	Country
1	Asian Opportunities & Investments Limited (AOIL)	31-03-17	USD	65.072	65.87	331	(1,008)	31	713	-	-	357	-	357	-	100	Mauritius
2	United Spirits Nepal Private Limited	31-03-17	₹	0.62		5	78	337	254	-	750	70	34	49		82.47	Nepal
3	Palmer Investment Group Limited (PIG)	31-03-17	USD	65.072	65.87	994	(1,057)	1	81	-	-	(2)	-	(2)	-	100	British Virgin Islands
4	Tern Distilleries Private Limited (Tern)	31-03-17	₹	1		1,027	(718)	328	19	-	1	(56)	-	(56)	-	100	India
5	Shaw Wallace Overseas Limited (SWOL)	31-03-17	GBP	81.34	81.29	34	(11)	20	2	-	-	1	-	1	-	100	U.K.
6	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL)	31-03-17	USD	65.072	65.87	-	12	15	3		-	(3)	-	(3)	-	100	Jersey Islands
7	Montrose International S.A (MI)	31-03-17	USD	65.072	65.87	33	(2)	-	-	-	-	(2)	-	(2)	-	100	Panama
8	USL Holdings Limited (UHL)	31-03-17	USD	65.072	65.87	33	(55,316)	627	55,283		-	(304)	-	(304)	-	100	British Virgin Islands
9	USL Holdings (UK) Limited (UHUKL)	31-03-17	GBP	81.34	81.29	-	(55,404)	318	55,722	-	-	(7,102)	-	(7,102)	-	100	U.K.
10	United Spirits (UK) Limited (USUKL)	31-03-17	GBP	81.34	81.29	-	(21,364)	269	21,633	-	-	(41)	-	(41)	-	100	U.K.
11	United Spirits (Great Britain) Limited (USGBL)	31-03-17	GBP	81.34	81.29	-	(21,344)	132	21,553	-	-	(41)	-	(41)	-	100	U.K.
12	Four Seasons Wines Limited (FSWL)	31-03-17	₹	1		663	(1,216)	556	1,109	-	201	(184)	-	(184)	-	100	India
13	McDowell & Co. (Scotland) Limited (MSL)	31-03-17	GBP	81.34	81.29	149	(105)	150	1,135	766	-	(110)	-	(110)	-	100	Scotland
14	Royal Challengers Sports Private Limited	31-03-17	₹	1		-	(320)	4,675	4,995	-	1,621	32	-	32	-	100	India
15	Liquidity Inc.	31-03-17	USD	65.07	65.87	-	(290)	72	274	-	-	(8)	-	(8)	-	51	USA
16	United Spirits (Shanghai) Trading Company Limited	31-03-17	RMB	9.4	9.4	52	(62)	2	17	-	-	(4)	-	(4)	-	100	China
17	Sovereign Distilleries Limited	31-03-17	₹	1		4,851	(4,472)	560	180	-	-	-193	-	(193)	-	100	India
18	Pioneer Distilleries Limited	31-03-17	₹	1		134	(583)	4,633	5,082	-	1,132	(435)	(134)	(301)	-	75	India
19	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd)	31-03-17	USD	65.072	65.87	-	=5	58	54	-	960	15	-	15	-	100	Singapore

Notes:

Closing exchange rate is applied for share capital, reserves and surplus, total assets, total liabilities and investments.

Average exchange rate is applied for turnover, profit / (loss) before taxation, profit / (loss) after taxation, and proposed dividend. All amounts are in million ₹.

ANNEXURE 1 *(CONTINUED)*

Names of subsidiaries which are yet to commence operations: Nil.

1. During the year, SW Finance Company Ltd, through a Scheme of Amalgamation, merged with United Spirits Limited (USL).
2. Bouvet Ladubay and Chapin Landias, Subsidiaries of USL ceased to be the subsidiaries of USL during the year.

Part B: Associates and Joint Ventures

Sl. No	Name of Associates/ Joint Ventures	Wine Society of India Pvt Ltd
1	Latest audited Balance Sheet Date	31 March 2016
2	Shares of Associates/ Joint Ventures held by the Company on the year end	
	(Number).	324,812
	Amount of Investment in Associates/Joint Venture	₹ 31,817,712
	Extent of holding %	33.32
3	Description of how there is significant influence	The shareholding in Wine society of India Private Limited ## is more than 20% due to which there is a significant influence
4	Reason why the associate/ joint venture is not consolidated	The investment in associate is accounted as per Ind AS
5	Net worth attributable to Shareholding as per latest audited Balance sheet	NIL. The loss in the associates exceeds the carrying value of the investment.
6	Profit/ Loss for the year	
	i. Considered in Consolidation	NiL
	ii. Not considered in Consolidation	₹ 39,366,881

Winding up petition filed and the company is in the process of liquidation

1. Names of associates or joint ventures which are yet to commence operations : NiL
2. Names of associates or joint ventures which have been liquidated or sold during the year. : NiL

By Authority of the Board

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director and Chief Executive Officer

Sanjeev Churiwala
Executive Director and Chief Financial Officer

V. Ramachandran
Company Secretary

Bengaluru
July 23, 2017

ANNEXURE 2

Related Party Transactions

FORM AOC 2

(Pursuant to section 134(3)(h) of the Act, and rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Section 188(1) of the Companies Act, including certain arm's length transactions under the third proviso thereto.

a) Details of Contracts or transactions not at arm's length basis: There were no contracts or arrangements or transactions entered into during the year ended March 31, 2017, which were not at arm's length basis

b) Details of Contracts or transactions at arm's length basis: The details of material contracts or arrangement or transactions at arm's length basis for the year ended March 31,2017 are as follows :

i) Agreement with Related Parties entered during the year 2016-17

(Amount in ₹)

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
1	Pioneer Distilleries Limited	Salary recharge-Expense / (Income)	Subsidiary	28-April-2016	Perpetual	Based on Transfer Pricing Guidelines ₹ 3 million	Salary recharge with respect to employees deputed to related Party	Nil
2	Diageo Great Britain Limited	Expenses reimbursed	Promoter/ Promoter Group	28-April-2016	August 2015 to July 2017	Based on Transfer Pricing Guidelines ₹ 9 million	Non-Salary expensesrecharge of Prabhaharan Viswanathan	Nil
3	United Spirits Singapore Pte Limited	Sale of goods	Subsidiary	12-May-2016		Arm's length transaction ₹ 976 million	Sale of IMFL	Nil
4	Diageo Vietnam Limited	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02-Nov-2015	1 April 2016 to 31October 2016	Based on Transfer Pricing Guidelines ₹ 3.9 million	Salary recharge of Shivam Mishra	Nil
5	Guiness Nigeria Limited	Sale of goods	Promoter/ Promoter Group	17- Mar- 2016	Perpetual	Arm's length transaction ₹ 24 million	Sale of raw material and HBS	Nil
6	Diageo Great Britain Limited	Expenses reimbursed	Promoter/ Promoter Group	17-Mar-2016	One time	Arm's length transaction ₹ 2.5 million	World Class Participation Fees	Nil
7	Diageo Brands B V	Marketing Expenses/ (Income)	Promoter/ Promoter Group	08-Jun-2016	One Time	₹ 1 million	Received towards 'Love Scotch' marketing Campaign	Nil
8	Pioneer Distilleries Limited	Purchase of goods	Subsidiary	08-Jun-2016	September 2016 to March 2019	PartofTie-up manufacture agreement ₹ 5707 million	PartofTie-up manufacture agreement	Nil
9	- Diageo India Private Limited	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	14-Jul-2016	01 July 2014 to 30 September 2017	Based on Transfer Pricing Guidelines	Salary recharge of International assignees	Nil
10	Pioneer Distilleries Limited	Purchase of goods	Subsidiary	NA	Perpetual	₹ 520 million	Purchase of material	Nil

ANNEXURE 2 *(CONTINUED)*

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
11	Diageo plc	Shared Service	Promoter/ Promoter Group	14-Jul-2016	Perpetual	Arm's length transaction No value involved	Implementation of Whistle Blower Mechanism through third party vendor of Diageo.	Nil
12	Diageo Great Britain Limited	Expenses Recharge	Promoter/ Promoter Group	27-Jan-2016	One time	Arm's length transaction ₹ 1 million	Anti-Counterfeit Project through Diageo Tech Venture.	Nil
13	Diageo India Private Limited	Assignment of Receivables	Promoter/ Promoter Group	26-Jul-2016	One time	₹ 3 million	Diageo India Pvt Ltd., has assigned the receivables from Jharkhand State Beverages Corporation to the Company.	Nil
14	Diageo NorthAmerica Inc.	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02-Nov-2015	Perpetual	Based on Transfer Pricing Guidelines ₹ 31.0 million	Salary Recharge of Mr William McDowell	Nil
15	Diageo Scotland Limited	Expenses Recharge	Promoter/ Promoter Group	27-Oct-2016	1-Spet-2015 to 28-Feb-2017	Based on Transfer Pricing Guidelines ₹ 0.74milion	Non-Salary costs Recharge of MrEamonn Anthony Power was approved in ACM on 2-Nov-2015 to recharge from Diageo Ireland, which is amended to Diageo Scotland now.	Nil
16	Four Seasons Wines Limited	Salary recharge-Expense / (Income)	Subsidiary	17-Mar-2016 27-Oct-2016	1-April-2016 to 31-Mar-2017	Based on Transfer Pricing Guidelines ₹ 62.83	Salary recharge with respect to employees deputed to/by related Party	Nil
17	Sovereign Distilleries Limited	Salary recharge-Expense / (Income)	Subsidiary	27-Oct-2016	1-April-2016 to 31-Mar-2017	Based on Transfer Pricing Guidelines ₹ 2 million	Salary recharge with respect to employees deputed to/by related Party	Nil
18	Four Seasons Wines Limited	Purchase of goods	Subsidiary	27-Oct-2016	1-April-2016 to 31-Mar-2017	Based on Transfer Pricing Guidelines ₹ 84 million	Purchase of Wine and re-sale.	Nil
19	Diageo Scotland Limited		Promoter/ Promoter Group	21-Jan-2017	One time	Based on Transfer Pricing Guidelines ₹ 41 million	The funding for Captain Morgan was approved as to receive from DGBL on 27-10-2016 is now amended as to be received from DSL	Nil

ANNEXURE 2 *(CONTINUED)*

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
20	Diageo Scotland Limited	Royalty Expenses	Promoter/ Promoter Group	09-Jan-15	Financial Year 2017 to 2021	Arm's length transaction ₹ 3 million	Extension of Captain Morgan Brand in India	Nil
21	Diageo Singapore Supply Pte. Limited	Purchase of Goods	Promoter/ Promoter Group	15-Jun-15	Perpetual	Based on Transfer Pricing Guidelines ₹ 14 million	Purchase of materials	Nil
22	Four Seasons Wines Limited	Sharing office space	Subsidiary	21-Jan-17	22 Months (Till Dec 2016)	Arm's length transaction ₹ 4 million	Share of office space in Embassy Heights	Nil
23	Diageo Scotland Limited	Salary and Expenses Recharge	Promoter/ Promoter Group	02-Nov-2015 27-Mar-2017	1-Aug-2015 to 31-Jul-2016 1-Aug-2016 to 30-Jun-2017	Based on Transfer Pricing Guidelines ₹ 31 million	Recharge of salary, non-salary and administration costs of Mr Ajay Baliga and Ms. Sushma D'Souza was approved on 27-Oct-2016 as to be done by Diageo Plc, is amended to be recharged by DSL	Nil
24	Diageo plc	Recharge of expenses	Promoter/ Promoter Group	27-Mar-17	One time	Based on Transfer Pricing Guidelines ₹ 75 million	Amount paid under Settlement with United Mohun Bagan Limited	Nil
25	United Spirits Nepal Private Limited	Sale of goods	Subsidiary	NA	04-Mar-2011 to 04-Mar-2021	Based on Transfer Pricing Guidelines ₹ 272 million	Sale of goods for manufacturing of brands	Nil
26	Pioneer Distilleries Limited	Sale of goods	Subsidiary	02-Sep-13	02-Sep-2013 to 01-Sep-2016	PartofTie-up manufacture agreement ₹ 21 million	PartofTie-up manufacture agreement	Nil
27	Diageo Brands BV	Purchase of goods	Promoter/ Promoter Group	09-Jan-15	Perpetual	Arm's length transaction ₹ 2060 million	Licence to manufacture and/ or sale of Diageo brands	Nil
28	United Spirits Nepal Private Limited	Income from brand franchise	Subsidiary	NA	04-Mar-2011 to 04-Mar-2021	Based on Transfer Pricing Guidelines ₹ 272 million	Roalty and brand development fee payable by United Spirits Nepal Private Limited to the Company, being the brand owner	Nil
29	Four Seasons Wines Limited	Brand fee	Subsidiary	NA	1-Jul-2015 to 30-Jun-2018	Arm's length transaction ₹ 3 million	For sale and manufacture of brands owned by the Company	Nil

ANNEXURE 2 *(CONTINUED)*

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
30	Diageo NorthAmerica Inc.	Royalty expense	Promoter/ Promoter Group	09-Jan-15	Perpetual	Distribution in bottled in origin product in India ₹ 77 million	License to manufacture and/ or sale of Diageo brands	Nil
31	United Spirits Singapore Pte Limited	Advertisement and sales promotion expenses/ (Income)	Subsidiary	NA	NA	Arm's length transaction ₹ 8 million	Income from sales promotion made	Nil
32	Diageo Australia Limited	Salary recharge expense	Promoter/ Promoter Group	02-Nov-15	01-Jul-2014 to 30-Jun-2017	Based on Transfer Pricing Guidelines ₹ 272 million	Salary recharge of Prabhaharan Viswanathan	Nil
33	Pioneer Distilleries Limited	Guarantee commission income	Subsidiary	02-Nov-15	Three years	Based on Transfer Pricing Guidelines ₹ 3 million	Commission received	Nil
34	Four Seasons Wines Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	13-Nov-14	Perpetual	Arm's length transaction ₹ 89 million	Funding for working capital loan	Nil
35	Four Seasons Wines Limited	Interest income	Subsidiary	13-Nov-14	NA	Arm's length transaction ₹ 7 million	Interest Income on working capital loan	Nil
36	Pioneer Distilleries Limited	Interest income	Subsidiary	13-Nov-14	NA	Arm's length transaction ₹ 14 million	Interest Income on working capital loan	Nil
37	Royal Challengers Sports Private Limited	Interest income	Subsidiary	13-Nov-14	NA	₹ 27 million	Interest Income on working capital loan	Nil
38	Royal Challengers Sports Private Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	13-Nov-14	NA	₹ 835 million	Funding for working capital loan	Nil
39	Sovereign Distilleries Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	13-Nov-14	NA	₹ 5 million	Funding for working capital loan	Nil

ANNEXURE 2 *(CONTINUED)*

Sl. No.	Name of the related Party	Nature of Contract	Nature of Relationship	Date on which Resolution was passed	Duration of Contract	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
40	Tern Distilleries Private Limited	Finance (including loans and advances, equity contributions in cash or in kind and Exchange gain / (loss))	Subsidiary	13-Nov-14	NA	₹ 9 million	Funding for working capital loan	Nil
41	Mc Dowell & Co (Scotland) Limited	Interest income	Subsidiary	28-Sep-07	NA	Arm's length transaction ₹ 2 million	Interest Income on working capital loan	Nil
42	Diageo Great Britain Limited	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02-Nov-15	01-Jul-2015 to 30-06-2017	Based on Transfer Pricing Guidelines ₹ 10 million	Salary recharge of Rhiju Bhowmick and reimbursement of employee benefits of Tracey Barnes	Nil
43	Diageo Scotland Limited	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02-Nov-15	01-08-2015 to 31-Jul-2017	Based on Transfer Pricing Guidelines ₹ 35 million	Salary recharge of Kedar Ulman	Nil
44	Diageo Plc.	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02-Nov-15	01-Jan-2016 to 01-Jun-2018	Based on Transfer Pricing Guidelines ₹ 2.5 million	Non-Salary expenses recharge of Richard Kugler	Nil
45	Diageo Plc.	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02-Nov-15	From 15-Jul-2015 till end of employee assignment	Based on Transfer Pricing Guidelines ₹ 24 million	Salary recharge of Vineet Chabbra	Nil
46	Diageo Plc.	Salary recharge-Expense / (Income)	Promoter/ Promoter Group	02-Nov-15	From 01-02-2016 till the end of employee assignment	Based on Transfer Pricing Guidelines ₹ 0.3 million	Salary recharge of Niraj	Nil
47	Guiness Nigeria Limited	Expenses reimbursement received	Promoter/ Promoter Group	NA	One time	Arm's length transaction ₹ 5 million	Expenses reimbursed to the Company	Nil
48	Pioneer Distilleries Limited	Guarantee commission given	Subsidiary	02-Nov-15	Three years	Based on Transfer Pricing Guidelines ₹ 1000 million	Commission on gurantee given	Nil

(ii) Details of loans, advances and investments by the Company in its subsidiary and Associate Companies (as required under Regulation 34(3) and 53(f) of SEBI (LODR) Regulations, 2015 read with Schedule V Para A2 have been disclosed in Notes to the Audited Financial Statements for the year ended March 31, 2017.

By Authority of the Board

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director and Chief Executive Officer

Sanjeev Churiwala
Executive Director and Chief Financial Officer

V. Ramachandran
Company Secretary

Bengaluru
July 23, 2017

ANNEXURE 3

FORM NO. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
United Spirits Limited
Bengaluru

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by United Spirits Limited (CIN: L01551KA1999PLC024991) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2017, complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by United Spirits Limited ("the Company") for the financial year ended on March 31, 2017 according to the provisions of:

i. The Companies Act, 2013, (the Act) and the rules made thereunder;
ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
iii. The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;
iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI');
    (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
    (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (No instances for compliance requirements during the year);
    (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
    (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
    (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
    (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
    (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, (No instances for compliance requirements during the year); and
    (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
vi. Various State Excise Laws relating to alcohol and related industry;
vii. Legal Metrology Act, 2009 and Rules thereunder;
viii. Food Safety and Standards Act, 2006 and Rules and Regulations made thereunder;
ix. The Environment (Protection) Act, 1986 and Rules thereunder;
x. The Water (Prevention & Control of Pollution) Act, 1974;

ANNEXURE 3 *(CONTINUED)*

xi. The Air (Prevention & Control of Pollution) Act, 1981;

xii. The Factories Act, 1948 and Rules thereunder;

xiii. All other Labour, Employee and Industrial Laws to the extent applicable to the Company.

I have also examined compliance with the applicable clauses of Secretarial Standards issued by the Institute of Company Secretaries of India.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc as mentioned above wherever applicable.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices were given to all Directors to schedule the Board meetings, agenda and detailed note on agenda were sent at least seven days in advance and wherever sent at shorter period, the requisite consent from the directors was obtained and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

The Company has responded to notices received by various authorities, including show cause notices received from the Ministry of Corporate Affairs for various alleged non compliances during the previous years. The Company has not received any further replies from the Ministry of Corporate Affairs to these responses. The Company has also not received any responses on its reconsideration application for approval of excess of managerial remuneration. The Company has initiated proceedings for excess remuneration paid to former Executive Director and Chief Financial Officer. One notice of beneficial interest which was sent to former official of the Company was received by the Company with the delay and accordingly there was an unavoidable delay in filing the Form MGT 6 beyond 300 days, for which, the Company had made an application for condonation of delay.

All decisions are carried through majority and recorded in the minutes and, unless stated otherwise, has been unanimous. Decision has been taken by majority in all Board meetings during the year.

I further report that there are adequate systems and processes in the company commensurate with size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the Company has following specific actions but these are not material and do not have any major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards:

1. Due to termination of agreement with Deutsche Bank Trust Company Americas, Depository for global depository shares (GDSs), the GDSs (constituting about 0.5% of the paid up equity share capital) have been cancelled and have resulted in underlying shares. However, the number of shares issued, subscribed and paid up and also listed in stock exchanges remains unchanged at 14,53,27,743 equity shares of ₹ 10 each.

2. The Company has entered in to an agreement for the sale of its entire holding of 67,716 equity shares in United Spirits Nepal Private Limited (constituting 82.46% of the paid up equity share capital of United Spirits Nepal Private Limited) and the sale transaction is pending for various regulatory clearances.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040
C. P. No. : 6137

Place : Bengaluru
Date : 23 July, 2017

ANNEXURE 4

FORM MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on March 31, 2017

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and Other Details:

Particulars	**Details**
CIN	L01551KA1999PLC024991
Registration date	31/03/1999
Name of the Company	United Spirits Limited
Category/Sub-Category of the Company	Company Limited by Shares Indian Non Govt Company
Address of the Registered office and contact details	'UB TOWER' # 24, VITTAL MALLYA ROAD, Bengaluru Karnataka-560001 Phone: +91 80 39856500 E-mail: uslinvestor@unitedspirits.in Website: www.diageoindia.com
Whether listed company Yes / No	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	Integrated Registry Management Services Private Limited (Formerly known as Integrated Enterprises (India) Limited) No. 30, Ramana Residency, 4thcross, Sampige Road, Malleswaram, Bengalore-560003 Tel: (080)23460815-818 Fax: (080)23460819

II. Principal Business Activities of the Company:

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	**Name and Description of main products / services**	**NIC Code of the Product/ service**	**% to total turnover of the company**
1	Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented material	1551	99.98
	Total		**99.98**

III. Particulars of Holding, Subsidiary and Associate Companies:

Sl. No.	**Name of the Company**	**Address of the Company**	**CIN/GLN**	**Holding/ Subsidiary / Associate**	**% of Shares held**	**Applicable Section**
1	Relay BV	Molenwerf – 10-12, 1014, BG, Amsterdam, Netherlands.	NA	Holding Company	54.78	2(46)
2	Asian Opportunities & Investments Limited (AOIL)	IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius	22752/5112	Subsidiary Company	100	2(87)
3	United Spirits Nepal Private Limited	Kamaladi, Kathmandu(Nepal)	124/39	Subsidiary Company	82.46	2(87)

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
4	Palmer Investment Group Limited (PIG)	Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands	447034	Subsidiary Company	100	2(87)
5	Tern Distilleries Private Limited (Tern)	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&G2 Greenlands, Begumpet Hyderabad Hyderabad TG 500016 IN	U15532TG1999PTC031318	Subsidiary Company	100	2(87)
6	Shaw Wallace Overseas Limited (SWOL)	Lakeside Drive, Park Royal, London, England, NW10 7HQ	283393	Subsidiary Company	100	2(87)
7	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited(JIHL)	Ordnance House,31 Pier Road St Helier , JE4 8PW	61000	Subsidiary Company	100	2(87)
8	Montrose International S.A (MI)	EdificioVallarino Penthouse, Calle 52 Y ElviraMendez, Ciudad De Panama, R.P	3147	Subsidiary Company	100	2(87)
9	USL Holdings Limited (UHL)	Sea Meadow House, PO Box 116, Road Town, Tortola, VG1110 British Virgin Islands	1385373 (BVI)	Subsidiary Company	100	2(87)
10	USL Holdings (UK) Limited (UHUKL)	Lakeside Drive, Park Royal, London, England, NW10 7HQ	6127302	Subsidiary Company	100	2(87)
11	United Spirits (UK) Limited (USUKL)	Lakeside Drive, Park Royal, London, England, NW10 7HQ	6127303	Subsidiary Company	100	2(87)
12	United Spirits (Great Britain) Limited (USGBL)	Lakeside Drive, ParkRoyal, London,England, NW107HQ	6127260	Subsidiary Company	100	2(87)
13	Four Seasons Wines Limited (FSWL)	UB Tower,#24,Vittal Mallya Road, Bengaluru, Karnataka-560001	U15549KA2006PLC039931	Subsidiary Company	100	2(87)
14	Pioneer Distilleries Limited	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/ G1&G2Greenlands, Begumpet Hyderabad- TG 500016 IN	L24116TG1992PLC055108	Subsidiary Company	75	2(87)
15	McDowell & Co (Scotland) Limited	EdinburghPark, 5Lochside Way, Edinburgh, Scotland, EH12 9DT	SC 145242	Subsidiary Company	100	2(87)
16	Sovereign Distilleries Limited	Roxana Towers,Ground Floor, M.No.7-1-24/1/RT/G1&G2 Greenlands, Begumpet Hyderabad TG 500016 IN	U15511TG2001PLC036282	Subsidiary Company	100	2(87)

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
17	Liquidity Inc.	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	-	Subsidiary Company	51	2(87)
18	United Spirits (Shanghai) Trading Company Limited	Unit 215, Xinxing Building, No. 8, JiaFengRoad,WaiGaoQiaoFree Trade Zone, Shanghai,China	(S.W.Z.H.D.Z.Z. [2007] No. 1153	Subsidiary Company	100	2(87)
19	Royal Challengers Sports Private Limited	'UB Tower', # 24, Vittal Mallya Road, Bengaluru, Karnataka-560001	U92400KA2008PTC045565	Subsidiary Company	100	2(87)
20	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd)	9 Battery Road, #15-01 Straits Trading Building, Singapore 049910	201216632N	Subsidiary Company	100	2(87)
21	Wine Society of India Pvt. Ltd*	005, CNB Square, Sangam Cinema Complex, 127 Andheri Kurla Road, Andheri (E), Mumbai - 400059.	U51228MH2006PTC162593	Associate Company	33.33	2(6)

*in the process of being wound up

IV Shareholding Pattern (Equity Share capital Break up as % to total Equity)

(i) Category wise Shareholding

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	12510	0	12510	0.01	12,510	-	12,510	0.01	0.00
(ii) Central Govt.	0	0	0	-	0	0	0.00	0.00	0.00
(iii) State Govt.(s)	0	0	0	-	0	0	0.00	0.00	0.00
(iv) Bodies Corp.	5394573	0	5394573	3.71	5,359,573	0	5,359,573	3.69	0.02
(v) Banks/FIs	0	0	0	-	0	0	0.00	0.00	0.00
(vi)Any other	0	0	0	-	0	0	0.00	0.00	0.00
SUB TOTAL (A)(1)	**5,407,083**	**0**	**5,407,083**	**3.72**	**0**	**0**	**5,372,083**	**3.70**	**0.02**
(2) Foreign									
a) NRI- Individuals	0	0		0.00	0	0	0.00	0.00	0.00
b) Other - Individuals	0	0	0	0.00	0	0	0.00	0.00	0.00
c) Bodies Corp.	79,612,346	0	79612346	54.78	79,612,346	0	79,612,346	54.78	0.00
d) Banks/FI	0	0	0	0.00	0	0	0.00	0.00	0.00
e) Any other…	0	0	0	0.00	0	0	0.00	0.00	0.00
SUB TOTAL (A)(2)	**79,612,346**	**0**	**79612346**	**54.78**	**79,612,346**	**0**	**79,612,346**	**54.78**	**-**
Total Share holding of Promoter (A)= (A)(1)+(A)(2)	**85,019,429**	**0**	**85019429**	**58.50**	**84,984,429**	**0**	**84,984,429**	**58.48**	**0.02**

ANNEXURE 4 *(CONTINUED)*

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	7,485,872	550	7486422	5.15	7,698,423	550	7,698,973	5.30	0.15
b) Banks/FI	165,320	11227	176547	0.12	125,802	11,227	137,029	0.09	-0.03
C) Central govt	27,439	-	27439	0.02	27,439	-	27,439	0.02	-
d) State Govt.(s)	0	7521	7521	0.01	0	7,521	7,521	0.01	-
e) Venture Capital Fund	0	0	0	-	-	-	-	-	-
f) Insurance Companies	0	0	0	-	0	0	-	-	-
g) FIIS	33,808,538	2003	33810541	23.27	32,053,569	2003	32,055,572	22.06	-1.21
h) Foreign Venture	-	-	-	-	-	-	-	-	-
i) Others (specify) QFI	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1)	**41,487,169**	**21301**	**41508470**	**28.56**	**39.905,233**	**21301**	**39,926,534**	**27.47**	**-1.09**
(2) Non Institutions									
a) Bodies corporate									
i) Indian	6,531,681	42764	6574445	4.52	6,788,275	42764	6,831,039	4.70	0.18
ii) Overseas	-	-	-			-			
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 2 lakhs	6,578,383	1801192	8379575	5.77	7,557,552	1,721,956	9,279,508	6.39	0.62
ii) Individuals shareholders holding nominal share capital in excess of ₹ 2 lakhs	2,365,256	-	2365256	1.63	2,218,779	-	2,218,779	1.53	-0.10
iii)Others	520,359	-	520359	0.36	600,117	-	600,117	0.41	
Trust	76,418	-	76418	0.05	1,121,274	-	1,121,274	0.77	0.72
NRI	0	-	0	-	-	-	-	-	-
Clearing Member	138,203	-	138203	0.10	366,063	-	366,063	0.25	0.16
Overseas Corporate Bodies	0	-	0	-	-	-	-	-	-
Unclaimed Suspense Account	0	-	0	-	-	-	-	-	0
SUB TOTAL (B)(2)	**16,210,300**	**1843956**	**18054256**	**12.42**	**18,652,060**	**1,764,720**	**20,416,780**	**14.05**	**1.57**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**57,697,469**	**1865257**	**59,562,726**	**40.99**	**58,557,293**	**1,786,021**	**60,343,314**	**41.52**	**0.48**
Shares held by Custodian for GDRs & ADRs	745,588	0	745,588	0.51	0	0	0	-	-0.51
Sub Total (C)	745,588	0	745,588	0.51	0	0	0	-	
Grand Total (A+B+C)	**143462486**	**1865257**	**145,327,743**	**100**	**143,541,722**	**1,786,021**	**145,327,743**	**100**	**-0.03**

ANNEXURE 4 *(CONTINUED)*

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Non Resident Indians (Reptriable)	-	-	-		2,91,631	3,43,182	6,34,813	0.44	0.44-
Non Resident Indians (Non Repatriable)	-	-	-		4,42,594-	4,465	4,47,059	0.31	0.31
Directors					153	-	153		0.00
Relatives Of Directors									
Trusts	76418	-	76418	0.05	1,121,274	-	1,121,274	0.77	Nil
SUB TOTAL (B)(2)	1,62,10,300	18,43,956	1,80,54,256	12.42	1,86,52,060	17,64,720	2,04,16,780	14.05	0.85
Total Public Shareholding (B)=(B)(1)+(B)(2)	5,76,97,469	18,65,257	5,95,62,726	40.99	5,85,57,293	17,86,021	6,03,43,314	41.52	0.24
C. Shares held by Custodian for GDRs & ADRs	7,45,588	-	7,45,588	0.51	-	-	-	0.00	0.51
Grand Total (A+B+C)	**14,34,62,486**	**18,65,257**	**14,53,27,743**	**100.00**	**14,35,41,722**	**17,86,021**	**14,53,27,743**	**100.00**	**0.75**

(ii) Shareholding of Promoters

Sl No.	Promoter's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	No. & % of shares pledged / encumbered to total shares	No. of shares	% of total shares of the company	No. & % of shares pledged / encumbered to total shares	
1	RELAY B V	79612346	54.78	-	79612346	54.78	-	0
2	DEVI INVESTMENTS PRIVATE LIMITED	2700	0	-	2700	0	-	0
3	KINGFISHER FINVEST INDIA LIMITED	1208180	0.83	0.72	1173180	0.81	0.7	0.02
4	MALLYA PRIVATE LIMITED	1005	0	-	1005	0	-	0
5	ROSSI AND ASSOCIATES PRIVATE LIMITED	35112	0.02	-	35112	0.02	-	0
6	UNITED BREWERIES HOLDINGS LIMITED	4116306	2.83	1.13	4116306	2.83	1.13	0
7	VIJAY MALLYA	12510	0.01	-	12510	0.01	-	0
8	VITTAL INVESTMENTS PRIVATE LIMITED	31270	0.02	-	31270	0.02	-	0
	TOTAL	**85,019,429**	**58.5**	**1.85**	**84,984,429**	**58.48**	**1.83**	**0.02**

(iii) Change in Promoter's Shareholding (Promoter wise) including Date wise increase / decrease in each of the Promoter's Shareholding during the year specifying the reasons for increase / decrease

Name	Shares at the beginning of the year	Date of Change	Reason for Change	No. of Shares	Cumulative shareholding
KINGFISHER FINVEST INDIA LIMITED	1,208,180	24-June-2016	Invocation of pledge	35,000	1,173,180

ANNEXURE 4 *(CONTINUED)*

(iv) Shareholding Pattern of top ten Shareholders (other than Directors & Promoters *and Holders of GDRs and ADRs*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2016		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2016-17	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	CLSA GLOBAL MARKETS PTE. LTD.	2,347,009	1.61	*01.04.2016*	0	NA	2,347,009	1.61
				22.04.2016	2286	BOUGHT	2,349,295	1.62
				06.05.2016	11794	BOUGHT	2,361,089	1.62
				08.07.2016	8342	BOUGHT	2,369,431	1.63
				15.07.2016	37904	BOUGHT	2,407,335	1.66
				29.07.2016	2072	BOUGHT	2,409,407	1.66
				12.08.2016	-924	SOLD	2,408,483	1.66
				16.09.2016	-21005	SOLD	2,387,478	1.64
				07.10.2016	6441	BOUGHT	2,393,919	1.65
				28.10.2016	5237	BOUGHT	2,399,156	1.65
				18.11.2016	-5025	SOLD	2,394,131	1.65
				09.12.2016	-1161	SOLD	2,392,970	1.65
				23.12.2016	444	BOUGHT	2,393,414	1.65
				30.12.2016	7526	BOUGHT	2,400,940	1.65
				13.01.2017	-3709	SOLD	2,397,231	1.65
				20.01.2017	-950	SOLD	2,396,281	1.65
				03.02.2017	7511	BOUGHT	2,403,792	1.65
				03.03.2017	4000	BOUGHT	2,407,792	1.66
				10.03.2017	-4000	SOLD	2,403,792	1.65
				31.03.2017			2,403,792	1.65
2	CARMIGNAC GESTION A\C CARMIGNAC PATRIMOINE	2,245,949	1.55	*01.04.2016*	0	NA	2,245,949	1.55
				17.06.2016	267398	BOUGHT	2,513,347	1.73
				24.06.2016	512503	BOUGHT	3,025,850	2.08
				30.06.2016	94725	BOUGHT	3,120,575	2.15
				10.07.2016	435	BOUGHT	**3,121,010**	**2.15**
				15.07.2016	6937	BOUGHT	3,127,947	2.15
				22.07.2016	130377	BOUGHT	3,258,324	2.24
				26.08.2016	698	BOUGHT	3,259,022	2.24
				02.09.2016	4576	BOUGHT	3,263,598	2.25
				16.09.2016	22527	BOUGHT	3,286,125	2.26
				31.03.2017			**3,286,125**	**2.26**
3	RELIANCE CAPITAL TRUSTEE CO. LTD-A/C RELIANCE CAPI	2,005,041	1.38	*01.04.2016*	0	NA	2,005,041	1.38
				22.04.2016	250100	BOUGHT	2,255,141	1.55
				29.04.2016	-16000	SOLD	2,239,141	1.54
				06.05.2016	48000	BOUGHT	2,287,141	1.57
				13.05.2016	-54988	SOLD	2,232,153	1.54
				20.05.2016	83500	BOUGHT	2,315,653	1.59
				27.05.2016	4000	BOUGHT	2,319,653	1.6
				03.06.2016	10000	BOUGHT	2,329,653	1.6
				10.06.2016	-1	SOLD	2,329,652	1.6
				17.06.2016	1	BOUGHT	2,329,653	1.6
				24.06.2016	-80000	SOLD	2,249,653	1.55
				15.07.2016	59750	BOUGHT	2,309,403	1.59

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2016		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2016-17	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
				22.07.2016	13000	BOUGHT	2,322,403	1.6
				05.08.2016	-25400	SOLD	2,297,003	1.58
				02.09.2016	-15	SOLD	2,296,988	1.58
				09.09.2016	29500	BOUGHT	2,326,488	1.6
				16.09.2016	9000	BOUGHT	2,335,488	1.61
				30.09.2016	-8000	SOLD	2,327,488	1.6
				07.10.2016	20282	BOUGHT	2,347,770	1.62
				21.10.2016	750	BOUGHT	2,348,520	1.62
				28.10.2016	30250	BOUGHT	2,378,770	1.64
				04.11.2016	4750	BOUGHT	2,383,520	1.64
				11.11.2016	7867	BOUGHT	2,391,387	1.65
				18.11.2016	174	BOUGHT	2,391,561	1.65
				25.11.2016	-124	SOLD	2,391,437	1.65
				02.12.2016	82	BOUGHT	2,391,519	1.65
				09.12.2016	-23750	SOLD	2,367,769	1.63
				16.12.2016	-49250	SOLD	2,318,519	1.6
				23.12.2016	30	BOUGHT	2,318,549	1.6
				30.12.2016	30	BOUGHT	2,318,579	1.6
				06.01.2017	-24784	SOLD	2,293,795	1.58
				13.01.2017	-1310	SOLD	2,292,485	1.58
				20.01.2017	-38250	SOLD	2,254,235	1.55
				27.01.2017	-60	SOLD	2,254,175	1.55
				30.02.2017	-15000	SOLD	2,239,175	1.54
				10.02.2017	1350	BOUGHT	2,240,525	1.54
				24.02.2017	-30	SOLD	2,240,495	1.54
				03.03.2017	29683	BOUGHT	2,270,178	1.56
				17.03.2017	-84	SOLD	2,270,094	1.56
				31.03.2017	-222	SOLD	2,269,872	1.56
				31.03.2017			**2,269,872**	**1.56**
4	MORGAN STANLEY ASIA (SINGAPORE) PTE.	1,808,876	1.24	*01.04.2016*	0	NA	1,808,876	1.24
				08.04.2016	-258254	SOLD	1,550,622	1.07
				15.04.2016	-791564	SOLD	759,058	0.52
				22.04.2016	-121928	SOLD	637,130	0.44
				29.04.2016	-27250	SOLD	609,880	0.42
				06.05.2016	-123452	SOLD	486,428	0.33
				13.05.2016	-9081	SOLD	477,347	0.33
				20.05.2016	-10915	SOLD	466,432	0.32
				27.05.2016	-13250	SOLD	453,182	0.31
				03.06.2016	-94473	SOLD	358,709	0.25
				10.06.2016	-9508	SOLD	349,201	0.24
				17.06.2016	-8314	SOLD	340,887	0.23
				24.06.2016	-2861	SOLD	338,026	0.23
				30.06.2016	-6397	SOLD	331,629	0.23
				08.07.2016	55574	BOUGHT	387,203	0.27
				15.07.2016	-500	SOLD	386,703	0.27
				29.07.2016	-14250	SOLD	372,453	0.26
				05.08.2016	-1010	SOLD	371,443	0.26
				19.08.2016	-166	SOLD	371,277	0.26
				26.08.2016	-11750	SOLD	359,527	0.25
				09.09.2016	-56254	SOLD	303,273	0.21
				16.09.2016	-4000	SOLD	299,273	0.21

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2016		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2016-17	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
				23.09.2016	-5000	SOLD	294,273	0.2
				30.09.2016	-3573	SOLD	290,700	0.2
				07.10.2016	-3000	SOLD	287,700	0.2
				14.10.2016	-135000	SOLD	152,700	0.11
				21.10.2016	-287	SOLD	152,413	0.1
				28.10.2016	-413	SOLD	152,000	0.1
				04.11.2016	-4950	SOLD	147,050	0.1
				18.11.2016	-13713	SOLD	133,337	0.09
				25.11.2016	-647	SOLD	132,690	0.09
				02.12.2016	-974	SOLD	131,716	0.09
				30.12.2016	1750	BOUGHT	133,466	0.09
				06.01.2017	-157	SOLD	133,309	0.09
				03.02.2017	250	BOUGHT	133,559	0.09
				10.02.2017	-5489	SOLD	128,070	0.09
				17.02.2017	-25848	SOLD	102,222	0.07
				24.03.2017	-3148	SOLD	99,074	0.07
				31.03.2017	-23710	SOLD	75,364	0.05
				31.03.2017			75,364	0.05
5	ICICI PRUDENTIAL VALUE FUND-SERIES 5	1,684,459	1.16	*01.04.2016*	0	NA	1,684,459	1.16
				08.04.2016	-18477	SOLD	**1,665,982**	**1.15**
				15.04.2016	130276	BOUGHT	1,796,258	1.24
				22.04.2016	51852	BOUGHT	1,848,110	1.27
				29.04.2016	104	BOUGHT	1,848,214	1.27
				06.05.2016	-238082	SOLD	1,610,132	1.11
				13.05.2016	-64609	SOLD	1,545,523	1.06
				20.05.2016	8	BOUGHT	1,545,531	1.06
				27.05.2016	79736	BOUGHT	1,625,267	1.12
				03.06.2016	3033	BOUGHT	1,628,300	1.12
				10.06.2016	-48	SOLD	1,628,252	1.12
				30.06.2016	-48	SOLD	1,628,204	1.12
				08.07.2016	-80329	SOLD	1,547,875	1.07
				15.07.2016	6739	BOUGHT	1,554,614	1.07
				29.07.2016	-38	SOLD	1,554,576	1.07
				05.08.2016	-101418	SOLD	1,453,158	1
				12.08.2016	41954	BOUGHT	1,495,112	1.03
				19.08.2016	-67895	SOLD	1,427,217	0.98
				26.08.2016	66055	BOUGHT	1,493,272	1.03
				02.09.2016	-447	SOLD	1,492,825	1.03
				16.09.2016	-27118	SOLD	1,465,707	1.01
				23.09.2016	74	BOUGHT	1,465,781	1.01
				30.09.2016	-145756	SOLD	1,320,025	0.91
				07.10.2016	-88108	SOLD	1,231,917	0.85
				14.10.2016	48	BOUGHT	1,231,965	0.85
				21.10.2016	64	BOUGHT	1,232,029	0.85
				28.10.2016	-74969	SOLD	1,157,060	0.8
				04.11.2016	30025	BOUGHT	1,187,085	0.82
				11.11.2016	68	BOUGHT	1,187,153	0.82
				18.11.2016	442	BOUGHT	1,187,595	0.82
				25.11.2016	221	BOUGHT	1,187,816	0.82
				02.12.2016	-15	SOLD	1,187,801	0.82
				09.12.2016	-75721	SOLD	1,112,080	0.77
				23.12.2016	57	BOUGHT	1,112,137	0.77

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2016		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2016-17	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
				30.12.2016	112	BOUGHT	1,112,249	0.77
				13.01.2017	1500	BOUGHT	1,113,749	0.77
				20.01.2017	-55	SOLD	1,113,694	0.77
				27.01.2017	6	BOUGHT	1,113,700	0.77
				03.02.2017	1	BOUGHT	1,113,701	0.77
				10.02.2017	44	BOUGHT	1,113,745	0.77
				17.02.2017	-39	SOLD	1,113,706	0.77
				03.03.2017	33063	BOUGHT	1,146,769	0.79
				10.03.2017	65	BOUGHT	1,146,834	0.79
				17.03.2017	-62	SOLD	1,146,772	0.79
				24.03.2017	28	BOUGHT	1,146,800	0.79
				31.03.2017	37	BOUGHT	1,146,837	0.79
				31.03.2017			1,146,837	0.79
6	KOTAK MAHINDRA (INTERNATIONAL) LIMITED	1,604,399	1.1	*01.04.2016*	0	NA	1,604,399	1.1
				07.10.2016	-47000	SOLD	1,557,399	1.07
				04.11.2016	-36395	SOLD	1,521,004	1.05
				31.03.2017			1,521,004	1.05
7	ABU DHABI INVESTMENT AUTHORITY - PEACOCK	1,550,441	1.07	*01.04.2016*	0	NA	1,550,441	1.07
				15.04.2016	-20000	SOLD	1,530,441	1.05
				29.04.2016	-46232	SOLD	1,484,209	1.02
				06.05.2016	-74887	SOLD	1,409,322	0.97
				13.05.2016	232440	BOUGHT	**1,641,762**	**1.13**
				20.05.2016	6474	BOUGHT	1,648,236	1.13
				03.06.2016	-20918	SOLD	1,627,318	1.12
				10.06.2016	-98427	SOLD	1,528,891	1.05
				08.07.2016	70936	BOUGHT	1,599,827	1.1
				15.07.2016	23964	BOUGHT	1,623,791	1.12
				22.07.2016	-44866	SOLD	1,578,925	1.09
				29.07.2016	-70936	SOLD	1,507,989	1.04
				05.08.2016	-253301	SOLD	1,254,688	0.86
				12.08.2016	-256642	SOLD	**998,046**	**0.69**
				19.08.2016	-23911	SOLD	974,135	0.67
				02.09.2016	-25378	SOLD	948,757	0.65
				11.11.2016	57698	BOUGHT	1,006,455	0.69
				18.11.2016	314302	BOUGHT	1,320,757	0.91
				02.12.2016	-24654	SOLD	1,296,103	0.89
				09.12.2016	253031	BOUGHT	1,549,134	1.07
				16.12.2016	25521	BOUGHT	1,574,655	1.08
				23.12.2016	-71677	SOLD	1,502,978	1.03
				30.12.2016	-20991	SOLD	1,481,987	1.02
				06.01.2017	54000	BOUGHT	1,535,987	1.06
				20.01.2017	-143338	SOLD	1,392,649	0.96
				27.01.2017	-213320	SOLD	1,179,329	0.81
				24.02.2017	-2667	SOLD	1,176,662	0.81
				03.03.2017	8500	BOUGHT	1,185,162	0.82
				31.03.2017			1,185,162	0.82

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2016		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2016-17	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
8	CARMIGNAC GESTION A\C CARMIGNAC INVESTISSEM ENT	1,392,386	0.96	01.04.2016	0	NA	1,392,386	0.96
				26.08.2016	285	BOUGHT	1,392,671	0.96
				02.09.2016	1868	BOUGHT	1,394,539	0.96
				16.09.2016	9200	BOUGHT	1,403,739	0.97
				31.03.2017			1,403,739	0.97
9	DEUTSCHE SECURITIES MAURITIUS LIMITED	1,038,506	0.71	01.04.2016	0	NA	1,038,506	0.71
				03.06.2016	-401	SOLD	1,038,105	0.71
				17.06.2016	-265	SOLD	1,037,840	0.71
				30.06.2016	-728	SOLD	1,037,112	0.71
				15.07.2016	-23	SOLD	1,037,089	0.71
				29.07.2016	-3250	SOLD	**1,033,839**	**0.71**
				02.09.2016	-1817	SOLD	1,032,022	0.71
				16.09.2016	-199	SOLD	1,031,823	0.71
				07.10.2016	-2289	SOLD	1,029,534	0.71
				21.10.2016	-200	SOLD	1,029,334	0.71
				04.11.2016	-400	SOLD	1,028,934	0.71
				11.11.2016	-3887	SOLD	**1,025,047**	**0.71**
				18.11.2016	-3619	SOLD	1,021,428	0.7
				25.11.2016	-45047	SOLD	976,381	0.67
				02.12.2016	-295	SOLD	976,086	0.67
				09.12.2016	-2004	SOLD	974,082	0.67
				23.12.2016	-33420	SOLD	940,662	0.65
				30.12.2016	-56130	SOLD	884,532	0.61
				20.01.2017	-3290	SOLD	881,242	0.61
				10.02.2017	-884	SOLD	880,358	0.61
				24.02.2017	-3035	SOLD	877,323	0.6
				03.03.2017	-21000	SOLD	856,323	0.59
				31.03.2017			856,323	0.59
10	UTI MULTI CAP FUND	946,501	0.65	01.04.2016	0	NA	946,501	0.65
				15.04.2016	10000	BOUGHT	956,501	0.66
				30.06.2016	-712	SOLD	955,789	0.66
				22.07.2016	2750	BOUGHT	958,539	0.66
				29.07.2016	1750	BOUGHT	960,289	0.66
				07.10.2016	-1000	SOLD	959,289	0.66
				14.10.2016	1250	BOUGHT	960,539	0.66
				21.10.2016	750	BOUGHT	961,289	0.66
				18.11.2016	-8500	SOLD	952,789	0.66
				09.12.2016	-250	SOLD	952,539	0.66
				16.12.2016	-18250	SOLD	934,289	0.64
				10.02.2017	750	BOUGHT	935,039	0.64
				17.02.2017	2750	BOUGHT	937,789	0.65
				24.02.2017	2250	BOUGHT	940,039	0.65
				03.03.2017	1500	BOUGHT	941,539	0.65
				10.03.2017	-5000	SOLD	936,539	0.64
				17.03.2017	13500	BOUGHT	950,039	0.65
				24.03.2017	-11978	SOLD	938,061	0.65
				31.03.2017			938,061	0.65

ANNEXURE 4 *(CONTINUED)*

V. Shareholding of Directors and Key Managerial Personnel

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year Mr V. Ramachandran, Company Secretary Mr V K Viswanathan, Director	10 -	- -	10 153*	- 0.000105
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g.allotment/transfer/bonus/sweatequityetc.): (Please refer table IV(iii) above for date wise change in promoter shareholding)	-	-	-	-
	At the end of the year	10	-	163	0.000105

* - The shares were acquired before he became a director

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in Million)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	18041	24,000	-	42,041
(ii) Interest due but not paid	-	-	-	-
(iii)Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**18,041**	**24,000**	**-**	**42,041**
Change in Indebtedness during the financial year				
Addition	35	12,500	-	12,535
Reduction	-5,092	-8,750	-	-13,842
Net Change	-5,057	3,750	-	-1,307
Indebtedness at the end of the financial year				
(i) Principal Amount	12,984	27,750	-	40,734
(ii) Interest due but not paid				
(iii)Interest accrued but not due				
Total (i+ii+iii)	**12,984**	**27,750**		**40,734**

ANNEXURE 4 *(CONTINUED)*

VI. Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in ₹)

Sl No	Particulars of Remuneration	Anand Kripalu, Managing Director and Chief Executive Officer
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961	7,41,94,409
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	76,68,481
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	4,59,80,802
2	Stock Option	-
3	Sweat Equity	-
4	Commission -as % of Profit Others – Specify	-
5	Others – Please specify	
	Total	**12,78,43,692**
	Ceiling as per the Companies Act @ 5% for 1 Executive Director	₹ 135.9 million for 1 executive director u/s 197 read with section 198 of the Companies Act.

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B. Remuneration to other directors **(Amount in ₹)**

Sl. No		Names of Directors						Total
1	Independent Directors	Mr M.K. Sharma	MrV.K. Viswanathan1	Dr (Mrs) Indu Shahani	Mr D Sivanandhan	Mr Sudhakar Rao2	Mr RajeevGupta	
	Fee for attending Board Committee Meetings	14,00,000	4,50,000	14,00,000	16,00,000	1,75,000	10,50,000	
	Commission	46,51,745	15,65,503	38,72,485	38,72,485	5,23,203	33,00,000	
	Others, (Please specify)							
	Sub total	**6051745**	2015503	**5272485**	**5472485**	**698203**	**43,50,000**	
2	Other Non-Executive Directors	Mr Nicholas Bodo Blazquez3		Mr John Thomas Kennedy4	Mr Randall Ingber5	Mr Vinod Rao	Mr Ravi Rajagopal6	
	Fee for attending board committee meetings	2,50,000		-	-	-	7,50,000	7075000
	Commission	19,08,281		-	-	-	18,53,525	21547228
	Others, please specify							
	Sub total	21,58,281					26,03,525	**28622228**
	Grand total							28622228
	Total Managerial Remuneration							
	Ceiling as per the Companies Act@ 1% for all Non-Executive Directors excluding Sitting Fees, which is not subject to limits.	₹ 27.2 million (Excluding sitting fees) for all Non-Executive Directors pursuant to calculation U/s 197 read with Section 198 of the Companies Act.						

1. Appointed as an Additional Director in the capacity of Independent Director with effect from October 17, 2016.
2. Resigned as a Non-Executive Independent Director with effect from May 19, 2016.
3. Resigned as a Non-Executive Director with effect from January 22, 2017.
4. Appointed as a Non-Executive Nominee Director with effect from August 17, 2016.
5. Appointed as a Non-Executive Nominee Director with effect from February 2, 2017.
6. Resigned as a Non-Executive Director with effect from October 13, 2016.

ANNEXURE 4 *(CONTINUED)*

C. Remuneration to Key Managerial Personnel other than MD / Manager /Whole time Director

(Amount in ₹)

Sl. No.	Particulars of Remuneration*	V. Ramachandran Company Secretary	Sanjeev Churiwala, Chief Financial Officer (CFO)	Total
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,191	81,03,632	2,16,17,348	2,97,20,980
	(b) Value of perquisites u/s 17(2) Income- tax Act, 1961	20,71,920	60,47,941	81,19,861
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	62,43,555	1,27,49,325	1,89,92,880
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission -as % of Profit Others – Specify	-	-	-
5	Others			
	Total	**1,64,19,107**	**4,04,14,614**	**5,68,33,721**

VII. Penalties / Punishment/ Compounding of Offences

There has been no penalty or punishment under the Companies Act for the year ended March 31, 2017. However, during the year the Company has applied for Compounding of certain offences under the Companies Act, the detail of which are mentioned below

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT/ROC]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	621A	Delay in conducting the Annual General Meeting for the year 2015.	Await the Order from Registrar of Companies		Nil
	621A	Delay in Appointing the Chief Financial Officer of the Company	₹ 100,000	Regional Director	Nil
B. DIRECTORS					
Mr Anand Kripalu					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	621A	Delay in conducting the Annual General Meeting for the year 2015.	Await the Order from Registrar of Companies	Registrar of Companies	Nil
	621A	Delay in Appointing the Chief Financial Officer of the Company	₹ 10,000	Regional Director	Nil

ANNEXURE 4 *(CONTINUED)*

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT/ROC]	Appeal made, if any (give Details)
Mr Sanjeev Churiwala					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	621A	Delay in conducting the Annual General Meeting for the year 2015.	Await the Order from Registrar of Companies	Registrar of Companies	Nil
C. OTHER OFFICERS IN DEFAULT					
V Ramachandran	Company Secretary				
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	621A	Delay in conducting the Annual General Meeting for the year 2015.	Await the Order from Registrar of Companies	Registrar of Companies	Nil
	621A	Delay in Appointing the Chief Financial Officer of the Company	₹ 10,000	Regional Director	Nil

ANNEXURE 5

Employee Details
Details of Ratio of Remuneration of Director

[Section 197(12), r/w Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014]

<table>
<tr><td rowspan="13">(i) the ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;

(ii) (ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;</td><td>Name of the Director</td><td>Designation</td><td>Ratio to the Median</td><td>Percentage Increase</td></tr>
<tr><td>Anand Kripalu</td><td>Managing Director& CEO</td><td>339:1</td><td>8%</td></tr>
<tr><td>Sanjeev Churiwala</td><td>CFO</td><td>107:1</td><td>145%</td></tr>
<tr><td>V Ramachandran</td><td>Company Secretary</td><td>44:1</td><td>75%</td></tr>
<tr><td>Mahendra Kumar Sharma</td><td>Independent Non-Executive Chairman</td><td>16:1</td><td>86%</td></tr>
<tr><td>V K Viswanathan</td><td>Independent Non-Executive Director</td><td>6:1</td><td>Not Applicable*</td></tr>
<tr><td>D Sivanandhan</td><td>Independent Non-Executive Director</td><td>14:1</td><td>94%</td></tr>
<tr><td>Indu Shahani</td><td>Independent Non-Executive Director</td><td>14:1</td><td>94%</td></tr>
<tr><td>Rajeev Gupta</td><td>Independent Non-Executive Director</td><td>12:1</td><td>65%</td></tr>
<tr><td>Nicholas Bodo Blazquez</td><td>Non-Executive Director</td><td>6:1</td><td>Not Applicable*</td></tr>
<tr><td>Sudhakar Rao</td><td>Independent Non-Executive Director</td><td>2:1</td><td>73%</td></tr>
<tr><td>Ravi Rajagopal</td><td>Non-Executive Director</td><td>7:1</td><td>7%</td></tr>
<tr><td colspan="4">* For non executive Directors change in percentage denotes change in Commission only and for the period of their Directorship during the year.</td></tr>
<tr><td>(iii) the percentage increase in the median remuneration of employees in the financial year;</td><td colspan="4">The average increase in remuneration last year was 6.3% across the company. However, due to substantial number of employee exits during the year, the comparable median remuneration shifted downwards and hence it is not comparable with the previous year</td></tr>
<tr><td>(iv) the number of permanent employees on the rolls of company;</td><td colspan="4">The Company had a permanent headcount of 5048 on the rolls as of 31 March 2017</td></tr>
<tr><td>(v) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;</td><td colspan="4">The increase made in average salaries of employees other than the managerial personnel in the current financial year compared to the last financial year was 3% while the total increase in the managerial remuneration was 16.4%. The increase in salaries of Key Managerial Personnel does not includes performance based pay which varies from year to year based on business performance. The remuneration to Managerial Personnel is not comparable since the variable pay was for part of the year in FY 2015-16 and is for full year for FY2016-17. The annual average salary increase is based on company's market competitiveness as against its peer basket companies.</td></tr>
<tr><td>(vi) Affirmation that the remuneration is as per the remuneration policy of the Company.</td><td colspan="4">The remuneration paid is as per the remuneration and reward policy of the Company</td></tr>
</table>

By Authority of the Board

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director and Chief Executive Officer

Bengaluru
July 23, 2017

ANNEXURE 5 *(CONTINUED)*

Particulars of Employees

A. Information as required under Rule5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Director's Report for the Financial Year ended March 31, 2017.

Sl. No.	EMP NAME	Age (as on 31 Mar '17)	No. of Shares held	Grand Total (Amount in ₹)	Designation & nature of duties	Qualification	Experience	Date of employment	Particulars of previous employment
1	Abanti Sankaranarayanan	48	0	38633579	Chief Strategy & Corporate Affairs Officer	PGDBA	25	1-May-15	Managing Director - India, Diageo India Pvt Ltd
2	Abhay Kewadkar	56	0	13940531	Senior Vice President and Business Head- Wines	B.TECH (CHEM)	34	23-Aug-06	Vice President & Wine Maker - Grover Vineyards Ltd
3	Abhishek Shahabadi	39	0	10599185	Assistant Vice President - Brand Marketing	B.Com., PGDM-C	17	23-Feb-06	Group Head, Madison Commu- nications
4	Ajay B Baliga	58	164	40421643	Executive Vice President - Manufac- turing, Projects & Quality Control	B.TECH (CHEM ENGG)	36	3-Nov-08	Allied Blenders & Distillers Pvt Ltd, SVP - Business Development & Mfg
5	Amarpreet Singh Anand	40	0	20866424	Vice President and Chief Innovation Officer	PGDM	16	2-Feb-15	Mondelez International Ltd
6	Amrit Kiran Singh	59	0	26270000	Chief Advisor - Corporate Relations & Public Policy	B.TECH, MBA	35	15-Jan-15	-
7	Amrit Thomas	51	0	71466571	President & Chief Marketing Officer	B.TECH, PGDM	25	12-Jun-07	Category Head - Beverages, Hll
8	Anand Kripalu	59	0	127843692	Managing Director & Chief Execu- tive Officer	B.Tech, PGDM	32	1-May-14	Managing Director, Cadbury India Ltd
9	Arun Goyal	47	0	11780798	Assistant Vice President - Manu- facturing	BE, M Tech	20	21-Feb-11	Head-Project Engineer, Sika India Pvt Ltd
10	Deepak Kumar Katty	53	0	13568765	Divisional Vice President - Sales Effectiveness	MBA	28	28-Oct-14	Pernod Ricard
11	G Pulla Reddy	45	0	12517446	Vice President- Manufacturing Operations (TMU)	B.Tech.;M.Tech.	22	15-Sep-97	Bhor Industries Limited
12	Keshava Babu C S	45	0	11068826	Assistant Vice President - Quality	BE	23	3-Nov-11	Motorola India Private Ltd Head Quality Assurance
13	Lal Rangwani	51	350	12591905	Vice President and Sales Head (West)	B.Com, M.Com, PGDBM	30	7-Aug-87	Herbertsons TSE
14	Mamta Sundara	40	0	24829885	EVP and General Counsel	LLB	14	15-Feb-15	Senior Counsel - India Projects, Diageo India Pvt Ltd
15	Mathew Xavier	53	0	31369465	EVP and Chief Operating Officer (South)	PGDM / B.COM	28	10-Nov-03	VP MARKETING ERSTWHILE SWDL
16	Michelle D Souza	49	0	11858376	Vice President- Corporate Commu- nications	B.Com	26	8-Sep-14	Head Communication - DIPL
17	Narayanan Subramanyam	52	0	14461801	Senior Vice President- Information Technology	B.A, MBA	30	24-Oct-13	IT Director, Global End User Ser- vices, Hindustan Unilever Ltd.
18	Nischal Hindia	40	0	21796204	Vice President and Senior Counsel	LLB	16	1-May-15	Legal Director - India, Diageo India Pvt Ltd
19	Nitesh Chhapru	38	0	11593092	Vice President and Portfolio Head	MBA	12	1-Jan-14	Founder Director, The Brahma Innovation Company
20	Pankaj Gupta	46	0	31516517	Chief Supply Chain Officer	BE chem IIT Varanasi	25	1-Jul-15	Sr Expert Asia Operations _ Mckinsey & Co
21	Paramjit Singh Gill	55	0	67084969	President - All India Operations	B.SC, M.PHIL, DIP IN LABOUR LAW, CHARTERED MARK	34	1-Jul-92	EVP, UNITED NATIONAL BREWERIES (SA) (PTY) LIMITED, CENTURION

ANNEXURE 5 *(CONTINUED)*

Sl. No.	EMP NAME	Age (as on 31 Mar ' 17)	No. of Shares held	Grand Total (Amount in ₹)	Designation & nature of duties	Qualification	Experience	Date of employment	Particulars of previous employment
22	Pothen Jacob	46	0	10832130	Senior General Manager - Organization Effectiveness	Bachelor of Engineering: Mechanical Engineering, Master in Business Administration Griffith University, Australia	23	21-Mar-16	Director, Compensation and Benefits – India and APAC, Sapient (Publicis Groupe)
23	Prashanth M S	44	0	18057854	Vice President and Customer Marketing Head	BSC, MMS	16	18-Aug-14	Sales Director, Reckitt Benckiser
24	Prathmesh Mishra	47	0	35046634	EVP and Chief Operating Officer (West & CSD)	PGDM, BA	19	18-Jun-14	Pernod Ricard
25	Ramachandran V	55	10	16419113	EVP and Company Secretary	B.com(Hons), ACA, ACS	29	24-Apr-15	Company Secretary- Wipro ltd
26	Rohini Seth	47	0	22707166	Vice President- National HR Operations	BA, MA in HR	23	29-Jun-15	Reckitt Benkiser as HR Head
27	S V S V Sastry	55	0	14481649	Vice President and Sales Head (South)	B.Sc.	31	14-Jun-12	ABD Pvt. Ltd VP South RPC
28	Sandeep Kumar Singal	53	0	19640039	EVP and Chief Operating Officer (East)	B.tech, M.B.A	18	14-Oct-15	Head- Branded Retail & Alternate Channels, tata tele services ltd
29	Sanjeev Churiwala	47	0	40414620	Executive Director & Chief Financial Officer	ACA, ACS, ACWA& Executive MBA from London Business School.	23	16-Nov-15	AMBUJA Cements
30	Sanjeev Ganesh	41	0	13863429	EVP- Procurement	B.Tech, MBA	12	1-Apr-10	Managing Consultant, Aqua Management Consulting Group
31	Shankar Ramanathan	49	0	11917041	Vice President- Engineering & Projects	B.E., MS	22	16-Feb-15	Director, Capex and Engineering - Pepsi Co.
32	Shelley Sengupta	41	0	10910719	Vice President- Consumer Planning & Insights	B.Com., PG Diploma	15	30-Nov-07	Head of Qualitative Research Division, South, Synovate India
33	Shovan Ganguli	56	0	17414073	Senior Vice President- R&D	Ph.d - Organic Chemistry	26	25-Feb-13	Hindustan Unilever Limited Platform director-bioscience, nutrition, health
34	Siddharth Rastogi	40	0	15088122	Vice President and Sales Head (North)	BE (Hons), PGDBM	16	23-Jun-14	Commercial Director - Diageo India Pvt. Ltd., Supply Chain Planning & Head - India Procurement
35	Sridhar B	43	0	11736724	Vice President and Chief Digital Officer	B.COM, PGDBA	13	20-Feb-09	Director Marketing, Sulekha Com
36	Steve Correa	52	0	30218236	Chief Human Resources Officer	B.Com, MBA, LLB	27	5-Sep-14	Chief Human Resource Officer, Reliance Jio Infocomm Limited
37	Subroto Geed	42	0	18557349	Senior Vice President and Portfolio Head	PGDISM	18	21-Sep-15	Nicholas Piramal India Ltd
38	Vikram Jain	42	0	11134591	Assistant Vice President - Sales	B.Com, MBA	12	19-Jan-09	Senior Manager, Pernod Ricard
39	Vineet Kumar Kapila	56	0	48289540	EVP and Chief Operating Officer (North)	B.Com, PDGM	32	5-Dec-12	President & CEO- Spencers Retail

ANNEXURE 5 *(CONTINUED)*

B. Employed for the part of the year

Sl. No.	EMP NAME	Age (as on 31 Mar ' 17)	Total (Amount in ₹)	Designation & nature of duties	Qualification	Experience	Date of employment	Particulars of previous employment
1	Alokesh Banerjee	51	11847508	AVP - Sales	M TECH, MBA	15	22-Nov-04	Chief - Marketing, Lafarge India
2	Ajay Goel	41	12589189	EVP and Financial Controller	B.Com, FCA, ACS	18	18-Apr-16	CFO, Supply Chain - GE India
3	Arup Halder	57	9649093	Dy General Manager - Mis Sales	B.Com., Diploma	33	11-Aug-81	Executive, Lupin Laboratories Ltd.
4	Arvind Jain	55	26060622	Divisional Vice President - Sales	PGDM	33	15-Feb-16	Area Manager-Titan Watches Ltd.
5	Avinaash Mundra	46	8003157	Vice President - Internal Audit	Certification in Forensic Accounting & fraud detection techniques, ICAI, March 2009 Associate Chartered Accountant, Institute of Chartered Accountants of India, May 1996	20	12-Apr-83	Nissan Motor Co., Regional Head – Internal Audit for Africa, ME, India
6	Baskaran Thiagarajan	46	5228724	Vice President - Manufacturing (TMU)	Bachelor of Engineering in Mechanical Engineering,THIAGARAJAR COLLEGE OF ENGINEERING, Madurai, Tamil Nadu, India	25	7-Mar-91	Heading India operations - Manufacturing , AVERY DENNISON INDIA (P) LTD.
7	Biju V John	50	6933557	Sr. General Manager - HR	B.Sc.Diploma, MBA, MSW	27	4-Nov-09	General Manager, HR, Manipal Health System Ltd.
8	Debashish Shyam	49	13893150	Senior Vice President and Head of Emerging Markets & Franchise	BSC, PGDBM	26	12-Jan-17	Head - Marketing & Alliances (Internet Services), Bharti Infotel Ltd, New Delhi
9	Dharmarajan S	59	9215953	Divisional Vice President - Finance & Accounts	B.COM, ACA, LLB	33	19-Apr-10	Consultant, N M Raiji & Co, Bombay
10	Feroze G Merchant	44	11659961	Assistant Vice President - Luxury & Banquets	B.COM, PGDBA	20	22-Mar-16	Senior Officer, Tata Iron & Steel Company Ltd
11	G R Khera	59	10261966	Sr General Manager - Sales	B.Com.	35	4-Jan-96	SALES REPRESENTATIVE,Swastik House Hold & Industrial Products
12	Gopal Singh Rana	38	2973463	Senior General Manager - Finance Regulatory	Diploma in business finance, Institute of Chartered Accountants of India, India	15	2-Sep-91	Director, PriceWaterhouseCoopers Private Limited, India
13	Javareh Daroga	43	4855186	National CP&A Lead	PGDIB	20	1-Apr-15	Bilcare limited
14	K Vijay Kumar	52	14569737	Assistant Vice President - Manufacturing	B.Sc.;DIFAT;PGDBM	19	10-Jan-94	Manager Technical Services, Udv India Ltd
15	Lalit Kumar Gupta	57	25686702	Senior Vice President and Senior Counsel	B.SC, LLB, DLL	34	21-Jul-89	JOINT MANAGER - LEGAL, SHRIRAM FOODS AND FERTILIZERS
16	Lokesh Saran	42	7354366	Senior General Manager - Sales	BE Electrical, MBA	18		Zonal Head-North and CSD Head-India, Allied Blenders & Distillers Pvt. Ltd.
17	Muthuraman Ramanathan	51	13861047	Vice President- Manufacturing Operations	B.E (Hons.) Mechanical	31	1-Jul-87	General Manager - Dina Foods Ltd.
18	Navdeep Singh Mehram	40	5088312	Lead Sustainability Development	M.B.A(HR), M.B.A(international Business),Certified SA8000 Auditor	14	1-Jul-15	Essar Group Foundation

ANNEXURE 5 *(CONTINUED)*

Sl. No.	EMP NAME	Age (as on 31 Mar ' 17)	Total (Amount in ₹)	Designation & nature of duties	Qualification	Experience	Date of employment	Particulars of previous employment
19	Nilanka Chatterjee	52	7147337	Senior General Manager - Training & Development	BBA;MBA	27	17-Nov-80	Ispat Industries Ltd., Mumbai
20	R Swaminathan	57	12861354	Audit Data Analytics & Reporting	MSc	32	10-Feb-89	Corp. Vice President - Internal Audit, United Breweries(Holdings) Ltd
21	Rajiv Garg	58	6778291	Assistant Vice President - Manufacturing	M.Sc, PG Diploma	33	5-Jul-95	Pilkhani Distillery & Chemical works (A unit of Upper Doab Sugar Mills)
22	Rajiv Gupta	38	3189874	Vice President & Head - Internal Audit	B.Com / ICAI - Chartered Accountant from ICAI (First Attempt)	15	1-Apr-92	National Head - Internal Controls, India & South West Asia, The Coca Cola Company, Gurgaon/Bengaluru
23	Ranesh Sinha	51	7477063	AVP - Manufacturing	B.Tech (Mechanical)	27	20-Sep-04	Head Manufacturing Capability & Lean Excellence, S C Johnson Products (P) Ltd
24	S R Dubey	54	14527350	Senior GM - PMO Lead	BA-Economics,Bhopal University	29	17-Feb-04	Shawallace & Co. Ltd Deputy General Manager – CSD All India
25	S Sowmiyanarayan	50	6916299	Assistant Vice President - Financial Accounting	B.Com.;PG Diploma - Other	22	15-Nov-79	Ashok Leyland - Accounts Executive
26	S.N. Prasad	59	10722211	Sr. Vice President	B.Com.	33	7-Nov-86	Comp Secretary & Internal Auditor, Nutrine Confectionary Ltd
27	S. Satish	57	15999384	Assistant Vice President - P & C	B.Com.-Commerce	36	19-Nov-02	Accounts Officer, BPL Sanyo Ltd
28	S. Suryanarayanan	57	17478567	Assistant Vice President - Engineering	B.Tech.Other;Undergraduation	34	15-Jun-11	Purchase Officer, Sundaram - Clayton Ltd, Hosur
29	Sabharwal M K	59	6941901	Assistant Vice President - Sales	B.Com.	35	1-Apr-99	Sales representative Shinger Cosmetics (P) Ltd.
30	Sandeep khurd	49	5971649	Dy General Manager - Sales	B.Com.;Diploma	25	18-Apr-11	Vadilal Enterprises Ltd
31	Shyjinth P K	48	9477251	General Manager - Marketing	Bachelors in Social & Legal Science, MBA	22	1-Jun-98	State Head, Sales, Maharastra - Shaw Wallace & Co. Ltd.
32	Sreenath K V	61	6200170	Assistant Vice President-Corporate	BCOM	42	15-Jun-98	Steno-Accounts/Clerk-Bombay Paints & Allied Products Ltd
33	Surender Singh Rathore	38	3345943	Senior General Manager - Accounting & Reporting	B.Com / ICAI	7	19-Oct-15	Whirlpool of India
34	T Sambandasamy	59	5960852	DVP - Corporate Relations	BBA;MBA;PG Diploma - OtherUndergraduation	30	16-Jan-17	Shaw Wallace & Co Ltd
35	Tarun Behl	40	5062260	Senior General Manager - Manufacturing	BE	19	12-Dec-16	Not applicable – Joined as Fresher
36	V. Murali	55	27183942	Assistant Vice President - Manufacturing	MEPGDBA	27	12-Apr-91	McDowell&Co. Ltd./Carew Phipson Ltd.
37	Vineet Chhabra	52	16563120	Chief Operating Officer - Emerging Markets	B.COM, CA	24	4-Oct-90	CEO - Global Green
38	Vivek Prakash	57	28657551	Chief Operating Officer - CSD	B.COM, LLB, MBA	35	18-Dec-06	Dy General Manager - Shaw Wallace & Co. Ltd
39	Vinay Nautiyal	57	8013414	DGM - Sales	BA-History,Garhwal University,DEHRA-DUN	32	6-May-14	Pradeshik Co-operative Dairy Federation Ltd
40	William McDowell	62	20960179	Production Manager	Bachelaor degree in Agricultural business & management	19	12-Dec-16	Quality & Governance Director, Asia Pacific, Diageo
41	Wilma Fernandes Olinda	53	7362765	BII Bulk Planner - Imports		19	1-Jul-15	Diageo India Pvt. ltd.

Note:

1. *None of the employees are related to the directors of the Company. None of the employees listed in B above hold any shares in the Company.*
2. *Since employees listed above includes the names of top 10 employees in terms of remuneration drawn, the list of such names is again not repeated in above table pursuant to sub rule 2 of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014*

ANNEXURE 6

Risk Management

Your Company's ambition is to create the best performing, most trusted and respected consumer Products Company in India. Risk management lies at the heart of this ambition. To be best performing, we need to take well managed risks. To be most trusted and respected, we need to avoid harm to our reputation and build a resilient, sustainable business in an increasingly volatile external environment.

Our risk management objectives are to:

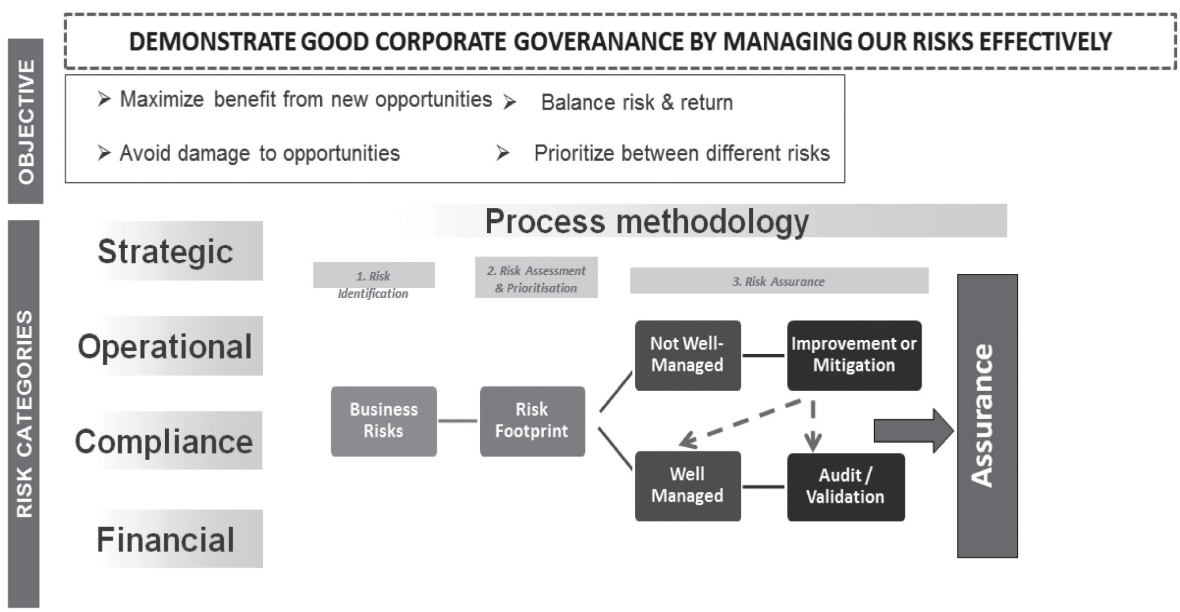
- Maximise the benefit from new opportunities, challenges and initiatives
- Avoid damage to our reputation
- Take appropriate risk for appropriate return
- Prioritise effectively between different risks
- Demonstrate good corporate governance by managing our risks effectively

Risk Management at your Company addresses all aspects of risk, including strategic, financial, operational, reputational, compliance, fraud or other risks.

Our approach:

Our methodology for assessing risk is straightforward, and is designed to promote an insightful discussion that results in effectivemitigation planning and positive business performance outcomes. We assign clear accountability for managing our risks in the right way. In F-17, we have moved from regional structure to functional structure where each functions manage their risk directly and then report on their risk to Executive risk committee. Your Company's Executive risk management committee reviews the effectiveness of risk management at functional level and also reviews impact of risks , mitigation plans at Company level to minimise the adverse impact of these risks ,thus enabling the Company to leverage market opportunities effectively and enhance its long term competitive advantage. The board exercises independent review through Audit Risk committee.

Key components of risk management framework:



ANNEXURE 6 *(CONTINUED)*

Risk governance structure:

- Our risk management framework is implemented at various levels across enterprise
- Risks are identified through insightful discussion by functional directors considering both internal and external sources.
- Every risk is assigned to risk owner responsible for establishing mitigation plan.
- Each risk are subject to specific review by Risk management committee on quarterly basis

Risk categories:

Following are the broad categories of risks considered in our risk management framework:

- Strategy – Risks which impacts the Company's planned strategies and the risks to the successful execution of strategies. These are called out from the choices we make on markets, product mix and resources that will impact our competitive advantage in the medium and long term. Potential risks to the long term scalability and sustainability of the organisation are also analysed and mitigated.
- Operational – Risks arising out of unexpected developments resulting from internal processes, systems or from external events that are linked to actual running of business are covered in this category – for example virus attacks or breach of cyber security
- Legal & Compliance – Risks arising out ofnon- compliance to various legal and compliance policies or non-conformance with laws, regulations which poses threat to financial, organisational or reputational standing of are classified under legal and compliance risk.
- Financial – Risk which impacts the Company's financial strength & control environment are classified under financial risk – for example Internal control weakness

Risk management highlights for the year

During the year the your Company's Executive committee and Board focused on principal risks fall in to several categories including increasingly volatile external environment, political changes, risk posed by critical industry development , leadership succession planning , business disruptions due to cyber-attacks.

- **Cyber security** – Cyber security is the protection of information systems from the theft or damage to the hardware, the software and to the information on them, as well as disruption to the service they provide to the business. During the year, we had set mandatory security training for all employees with new joiners automatically enrolled, enhanced technical measures to block phishing attacks & strengthened response capability to tackle serious attacks and breaches.
- **Regulatory changes**– Changes in the governmental regulations and unfavourable political conditions shall cascade to loss/ decline in sale. Though these risk are uncontrollable at company end, we have made detailed action points to address the risk by partnering with Industry forum and engaging with Government.
- **Financial risk** – The Company maintains a system of internal control framework which has been designed to provide assurance regarding reliability of financial control, compliance with applicable laws and regulations, effectiveness of operations. The Company's internal financial framework is based on "three lines of defence model". Robust and continuous internal monitoring mechanisms ensure timely identification of risks and issues. The effectiveness of our internal control are tested by independent auditor through rigours testing procedures.

The above risks are covered in detail in the section on management discussion and analysis forming part of this report

ANNEXURE 7

Corporate Social Responsibility (CSR)

THE ANNUAL REPORT ON CSR ACTIVITIES

Outline of the Company's CSR policy.

CSR Strategy of the Company supports our ambition to become the best performing, most trusted and respected consumer Products Company in India. Your Company's recognizes that its business activities directly affects the lives of people around our plants and in the markets that we operate in. We believe that the communities in which we operate should benefit from our presence. We are aware of the importance of being responsible about our brands, and the way we develop, produce and sell them. As the world's leading premium drinks business, we want to be at the forefront of industry efforts to promote responsible drinking and reduce the harmful use of alcohol. Our Sustainability & Responsibility Strategy integrates social responsibility into our core business to create value for society and our shareholders. All our programs are covered under the following fields:

a) Alcoholin Society
b) Community Development

The Company's CSR Policy is available at www.diageoindia.com

1. The composition of the CSR Committee: The composition of the CSR Committee is as stated in the Corporate Governance Report.
2. Average net profit of the Company for the last three financial years.

₹ in Million

Particulars	FY15-16	FY14-15	FY13-14
Profits/(loss) for CSR Computation	4094.62	(460)	(33011)

3. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above) Nil
4. Details of CSR spent during the financial year.
   a. As the average net profit of the last three years has resulted in a loss, there was no mandatory requirement to spend on CSR activities during the financial year.
   b. Amount unspent, if any: - Not applicable.
   c. Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	**CSR projector activity identified**	**Sector in which the project is Covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount outlay (budget) project or program Wise (₹)**	**Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or Programs. (2) Overheads: (₹)**	**Cumulative expenditure up to the reporting period (₹)**	**Amount spent: Directorthrough implementing agency***
1	Partnership with NDTV for a High visibility program 'Road to Safety' which has consumer outreach to create awareness about road safety, drink driving & underagedrinking	Schedule VII (ii) under "promoting education". Promotion of Road Safety through CSR: (i) (a) Promotions of Education, "Educating the Masses and Promotion of Road Safetyawareness in all facets of road usage,	National level telecast on NDTV 24 X7 and NDTV India	205 Lakhs	205 Lakhs	205 Lakhs	Directly through Mind Share

ANNEXURE 7 *(CONTINUED)*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	**CSR projector activity identified**	**Sector in which the project is Covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount out-lay (budget) project or program Wise (₹)**	**Amount spent on the projects or Programs Subheads: (1) Direct expen-diture on projects or Programs. (2) Overheads: (₹)**	**Cumulative expendi-ture up to the report-ing period (₹)**	**Amount spent: Directorthrough implementing agency***
2	Capacity building training on defensive driving and hazards of driving under the influence of alcohol with IRTE (Institute of Road Traffic Edu-cation) and MORTH (Ministry of Road Transport and High-ways)	(b) For drivers training etc. Schedule VII (ii) un-der "vocational skills"	Training held across 15 states Delhi Pondicherry Haryana Punjab RajasthanWest Bengal Bihar Madhya Pradesh Maharashtra Uttar Pradesh Assam Chhattisgarh Odisha Telangana Himachal Pradesh	83 Lakhs	83 Lakhs	83 Lakhs	Implemented through Institute of Road Traffic Education
3	University Partner-ship Programs on Road Safety Aware-ness amongst young students.	Schedule VII (ii) under "promoting education". Promotion of Road Safety through CSR	New Delhi, Mumbai, Bengaluru, Goa	10 Lakhs	10 Lakhs	10 Lakhs	Direct and through partner-ship
4	Curbing Underage Drinking- Cool Teens program	Schedule VII (ii) under "promoting education".	Maharashtra, Karnatka, Delhi NCR, Punjab, Rajasthan	35 Lakhs	35 Lakhs	35 Lakhs	Direct and through partner-ship
5	Road Safety Aware-ness campaign amongst driver in partnership with Essar Oil Ltd.	Schedule VII (ii) under "promoting education". Promotion of Road Safety through CSR: (i) (a) Promotions of Edu-cation, "Educating the Masses and Promotion of Road Safety aware-ness in all facets of road usage,	Maharashtra, Telangana	5 Lakhs	5 Lakhs	5 Lakhs	Direct in partnership with Essar Oil
6	Security Health & Empowerment (SHE) Programs	Schedule VII : Promot-ing gender equality and empowering women. 'promoting healthcare, including preventive healthcare' and sanita-tion, including contribu-tion to the Swach Bharat Kosh set-up by the Cen-tral Government for the promotion of sanitation	15 villages around our bottling plants in Rajasthan, MP, Odisha, UP and Pondicherry	195 Lakhs	192 Lakhs	192 Lakhs	Through NGO Partners

ANNEXURE 7 *(CONTINUED)*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	**CSR projector activity identified**	**Sector in which the project is Covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount outlay (budget) project or program Wise (₹)**	**Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or Programs. (2) Overheads: (₹)**	**Cumulative expenditure up to the reporting period (₹)**	**Amount spent: Directorthrough implementing agency***
7	Young Women Social Entrepreneurship development programs in partnership with British Council	Schedule VII : Promoting gender equality and empowering women	Maharashtra, Assam, Telangana	20 Lakhs	15 Lakhs	15 Lakhs	Through NGO partners
8	Supporting Education with transport and Computer lab facility for Tribal children	Schedule VII (ii) under "promoting education".	Chhattisgarh	42 Lakhs	38 Lakhs	38 Lakhs	Directly
9	Promoting Sports by supporting Karnataka Olympic Association	Schedule VII (vii) promotion of sports (Rural, National, Paralympic and Olympic)	Karnataka	100 Lakhs	100 Lakhs	100 Lakhs	Karnataka Olympic Association
	TOTAL			695 Lakhs	683 Lakhs	683 lakhs	

5. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report: Not applicable.

6. Responsibility statement of the CSR committee.

   We hereby declare that implementation and monitoring of CSR activities, is in compliance with CSR objectives and Policy of the Company. Though during the year, there was no requirement to spend due to the average net profit of the last three year shaving resulted in loss, Company has still met its social objectives bys pending on CSR Activities.

Dr (Ms) Indu Shahani
Chairperson of CSR Committee

Mr Anand Kripalu
Managing Director and Chief Executive Officer

Bengaluru
July 21, 2017

ANNEXURE 8

Energy Conservation Technology Absorption & Foreign Exchange

Details of Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outflow

(Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014)

A) Conservation of Energy

With reference to energy conservation, steps taken by the Company at its various manufacturing units were as under:

- In two of the manufacturing operations, solar power installation completed, which will contribute to 10% of respective factory power consumption and also plan to expand to other units depending on feasibility.
- Fuel change from coal to biomass firing completed in 7 out of 8, distillery manufacturing plants to reduce carbon emissions. Feasibility study in progress for another distillery
- Treated effluent recycle through Reverse Osmosis plant is in operation at four manufacturing plants and planning to extend at 2 plants.

B) Technology Absorption

- Adopted and implemented technology to achieve Zero Liquid Discharge at own operating distilleries, as per statutory norm. One plant being operated on Bio Composting basis as per consent, is in the process of adopting Zero liquid discharge
- Implemented at one unit, 'Bio Gas Engines' for utilizing Methane Gas, produced in anaerobic Digester and generating captive power for running distillery.

(C) Foreign Exchange earnings and Outgo-

(₹ In Millions)

Foreign exchange earned in terms of actual inflows during the year	1,398
Foreign exchange outgo in terms of actual outflows during the year	2,746

ANNEXURE 9

Business Responsibility Report

Environment, Society and Governance lie at the heart of our business ethics and philosophy. Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, we provide below our Business Responsibility Report describing the initiatives taken by the Company ('USL") from an environmental, social and governance perspective during the financial year ended March 31, 2017.

On each of the nine Principles governing this Business Responsibility Report, USL has been at the forefront to follow the same in letter and spirit. Our initiatives in this regard for each of the Principles are highlighted below in the prescribed format.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. *Corporate Identity Number (CIN) of the Company - L01551KA1999PLC024991*
2. *Name of the Company* – UNITED SPIRITS LIMITED
3. *Registered address* – 'UB TOWER', #24, VITTAL MALLYA ROAD, Bengaluru – 560 001
4. *Website* – www.diageoindia.com
5. *E-mail id* – uslinvestor@unitedspirits.in
6. *Financial Year reported* – April 01, 2016 to March 31, 2017
7. *Sector(s) that the Company is engaged in (industrial activity code-wise) – Manufacturing (Main Activity Group Code –C)*
8. *List three key products/services that the Company manufactures/provides (as in balance sheet)–Alcoholic Beverages, Extra Neutral Alcohol, Indian Made Foreign Liquor*
9. *Total number of locations where business activity is under taken by the Company-27*
   (a) *Number of International Locations (Provide details of major 5) - Nil*
   (b) *Number of National Locations* – 27
10. *Markets served by the Company – Local/State/National/International* – All the three.

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. *Paid up Capital (INR)* – ₹ 1,45,32,77,430
2. *Total Turnover (INR)* – ₹ 257560 million (Gross)
3. *Total profit after taxes (INR)* – ₹ 1,699 million
4. *Total Spending on Corporate Social Responsibility (CSR) – Since average profits of the last three years are negative the Company is not required to spend any amount on CSR. However the Company has still spent ₹ 68.3 million which as percentage of profit after tax for the year ended March 31, 2017 is 4%.*
5. *List of activities in which expenditure in 4 above has been incurred:-*
   (a) As given in Annexure 7 of CSR Report, which is forming part of Report of Directors

SECTION C: OTHER DETAILS

1. *Does the Company have any Subsidiary Company/ Companies?*
   Yes.

2. *Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)?*
   Pioneer Distilleries Limited.

3. *Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]* –
   Not Applicable.

ANNEXURE 9 *(CONTINUED)*

SECTION D: BR INFORMATION

1. *Details of Director / Directors responsible for BR – The list of Directors along with details are given below:*

   (a) *Details of the Director / Director responsible for implementation of the BR policy / policies as on March 31, 2017.*

Sl. No.	Name of the Director	DIN	Designation
1.	Mr Mahendra Kumar Sharma	00327684	Non-Executive Independent Director – Chairman
2.	Mr V K Viswanathan	01782934	Non-Executive Independent Director
3.	Mr Randall Ingber	07529943	Non-Executive Director
4.	Mr Anand Kripalu	00118324	Managing Director and Chief Executive Officer
5.	Mr Vinod Rao	01788921	Non-Executive Director
6.	Mr D Sivanandhan	03607203	Non-Executive Independent Director
7	Mr John Thomas Kennedy	07529946	Non-Executive Director
8.	Dr (Mrs) Indu Shahani	00112289	Non-Executive Independent Director
9.	Mr Rajeev Gupta	00241501	Non-Executive Independent Director

   (b) *Details of the BR head* :
   Overall review of BR is with the Board of Directors and the implementation with the Management.

2. *Principle-wise (as per NVGs) BR Policy/policies*

   (a) Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/ policies forCode of Business Conduct and Ethics	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	The Code of Business Conduct & Ethics (CoBCE), is the key policy governing the compliance and ethics framework of the Company. In addition to Co BCE, it is mandatory for all employees to undergo training in Co BCE and a compliance certification program anchored by policies and procedures, prescribed as per the global standards, covering are as such asanti-bribery & corruption, including guidelines on gifting & entertainment, anti-money laundering and prevention of sexual harassment at workplace, in addition to the Employee Alcohol Policy, as a part of its commitment to responsible drinking.								
4	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the company have a specified committee of the Board/ Director/ Official to over see the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	http://diageoindia.com/Investor_downloads/780678726Code%20of%20Business%20Conduct.pdf								

ANNEXURE 9 *(CONTINUED)*

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have in-house structure to implement the policy/ policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tickupto 2 options)–NOT APPLICABLE

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles									
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The Company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify)									

3. *Governance related to BR :*

(a) *Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year*

Annual.

(b) *Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?*
Published annually as part of the Annual Report. Hyperlink is www.unitedspirits.in.

ANNEXURE 9 *(CONTINUED)*

Principle 1 : Company's efforts in the area of Ethics, Transparency and Accountability

1. *Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs /Others?*

   The Code of Business Conduct & Ethics (Co BCE) is the key policy governing the compliance and ethics frame work of the Company. All the employees are required to under go mandatory training within 30 days of joining the employment and a yearly refresher training, along with a compliance certification program, for evaluation of the knowledge and understanding of Co BCE on an annual basis. In addition, face to face and functional training is also provided by the members of the compliance and ethics function on a regular basis.

   In addition to Co BCE, the compliance program is also anchored by policies and procedures, prescribed as per the global standards, covering areas such as anti-bribery & corruption, including guidelines on gifting & entertainment, anti-money laundering and prevention of sexual harassment at workplace, in addition to the Employee Alcohol Policy, as a part of its commitment to responsible drinking.

   During the year revised Co BCE has been rolled out to subsidiaries of the Company also, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, Tern Distilleries Private Limited and Four Seasons Wines Limited, through adoption of the policy by the respective Boards and provision of training to the employees of the respective subsidiaries.

   The Company has a whistle blower/ vigil mechanism, Speakup, operated by a third party agency. Employees are encouraged to raise their compliance concerns through this mechanism, apart from other internal reporting channels viz. Line Manager or representatives of HR, Legal, Compliance & Ethics function, etc. Confidentiality and anonymity is guaranteed to all reporters. Company has a structured Breach Management Standard in place, for timely and conclusive resolution of issues raised through the whistle blower mechanism. Access is also provided to the Chairman of the Audit Committee in appropriate and exceptional cases.

2. *How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.*

   During the year, 115 cases were logged in Speakup, which included 38 cases in the nature of HR grievances. Out of the above 99% cases are closed with 1/4th being substantiated. Decisions on the reported breaches are determined and monitored by a compliance committee, ing key members of the leadership team, by ensuring that there is a collective and a fair decision making process and consistent action in resolving the breaches. Quality of investigation and remedial actions are monitored by the Global Risk & Compliance team.

   As a part of the governance framework, details of significant breaches are tabled before the audit committee for its review on a quarterly basis. Regular up dates are also provided to the senior leadership team on various aspects of the compliance program, not only to sett one at the top but also as a part of management's commitment to continuous improvement in integrating compliance with the business.

Principle 2 : Company's efforts to provide goods and services that are safe and contribute to sustainability throughout their life cycle.

1. *List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities*.

   We have been conscious of social and environmental concerns and our processes and practices reflect our concern for the environment as can be seen from the details provided in the paragraphs below.

ANNEXURE 9 *(CONTINUED)*

2. *For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):*

   (a) *Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?*

   We give below the list of projects and achievements during the year

Project Type	Project Type	Project Description	Validated Benefits (m3)	COST in INR
Bhopal	Dam	Construction of two new check dam for water storage purposes (Amla&Sarvar)	20490	18.33
Alwar	Desilting	Rehabilitation of silted water holding ponds vis desilting (dredging) and community maintenance pondsHand pumps	18774	32.67
Udaipur	Desilting	Rehabilitation of silted water holding ponds vis desilting (dredging) and community maintenance ponds	11438	45.27
Rosa	Desilting	Rehabilitation of silted water holding ponds vis desilting (dredging) and community maintenance ponds	20936	35.48
		Total Water for Productive Use	71638	131.75

   Your Company initiatives in 2017 to reduce packaging materials include further light weighting of glass bottles by 5-10% on most leading brand bottles per design feasibility, film down-gauging in Tetra as well as pack resizing by nearly 10%, reduction in carton weight by replacing older 5 Plyto 3 Ply RCT based paper liners. Your Company has initiated removal of plastic based components in its print material, in anticipation of future waste management rules. In addition, your Company uses recycled bottles across most popular & prestige brands, resulting in a lower carbon footprint.

   (b) *Reduction during usage by consumers (energy, water) has been achieved since the previous year?*
   Indirect benefits have accrued to customers from the steps taken above.

3. *Does the company have procedures in place for sustainable sourcing (including transportation)?*

   (a) *If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.*

   Your Company has initiated processes addressing the need for sustainable sourcing. In line with Diageo's global statement of intent on sustainable procurement, your Company is shortly issuing its own guideline on Partnering with Suppliers, covering engaging with vendors on ethical business practices, protection of human rights, health and safety standards as well as reduction of environmental impact.

   Additionally, your Company has implemented the roll out of Sedex across its vendor base in a phased manner, a global collaborative platform for sharing of responsible sourcing data.

4. *Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?*

   Your Company has identified certain categories of spend amenable to sourcing from MSME vendors, like corrugated boxes or recycled bottles, and almost exclusively sources such categories from sources proximal to our manufacturing locations. In addition, agri-commodities like grapes, broken rice & maize etc are sourced from local communities & cooperatives.

   (a) *If yes, what steps have been taken to improve their capacity and capability of local and small vendors?*

   In order to ensure such parties meet our specification requirements, your Company teams routinely conduct audits, identify process gaps and educate vendors on performance improvement and best practices.

   In line with the tenets of Principle 2 that businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication etc. and to provide full details of contents and composition and to promote feusage and disposal of their products and services, your Company ensures that its product labels comply to all statutory requirements per legal metrology, food & safety standard setc. Apart from this, customers are also made a ware of mandatory requirements of individual states or markets, including but not limited to a detailed ingredient list, clearly published manufacturing & licensing details, customer care contact details as well as mandatory warnings as applicable for alcobev industry.

ANNEXURE 9 *(CONTINUED)*

With regard to regular review to improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations, USL ensures minimization of our resource usage footprint, by working collaboratively with our suppliers along the following dimensions:

- Product specification optimization: including but not limited to light-weighting of containers, gauge reduction of metal components, weight optimization of print material etc., deploying available / new-age technologies & manufacturing capabilities with our suppliers.
- Feature optimization: In select cases, we have removed surplus packaging components to reduce overall material use.
- Rationalization: your Company is working towards rationalization of our material components for both economies of scale as well as maximizing utilization across our requirements, especially for recycled products like returnable bottles.

In addition to above mentioned optimization drives, your Company has led in recycling through utilization of returnable glass bottles across a significant part of our popular brand. In addition, your Company collaborates with supply partners like Tetrapak to facilitate recycling & utilization of laminates, as well as glass suppliers for re-use of broken cullets.

Your Company is additionally working towards compliance on anticipated future requirements like proposed plastic waste management rules and extended supplier responsibilities thereupon.

5. *Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.*

   More than 90% of waste water generated in factories, post treatment, recycled back for use. Also more than 90% of the solid waste generated in the manufacturing locations are recycled through authorized recyclers. We source significant proportion of sustainable packing for the product packaging, with at least >20% recycled content and plan to increase further in future

Principle 3 : Company's efforts to promote the wellbeing of all employees

1. *Please indicate the Total number of employees.*
   We have 5048 employees including Executive, permanent workmen and staff.

2. *Please indicate the Total number of employees hired on temporary/contractual/casual basis.*
   We have hired 4591 contract or temporary employees and retainers/ consultants.

3. *Please indicate the Number of permanent women employees.*
   We have 486 permanent women employees.

4. *Please indicate the Number of permanent employees with disabilities*
   NIL

5. *Do you have an employee association that is recognized by management?*
   Yes.

6. *What percentage of your permanent employees\ is members of this recognized employee association?*
   46% of our permanent employees are members of this recognized employee association.

7. *Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.*
   During the financial year 2016-17, no complaints were reported

8. *What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?*
   (a) Permanent Employees : 95%
   (b) Permanent Women Employees : 95%
   (c) Casual/Temporary/Contractual Employees : 95%
   (d) Employees with Disabilities : NA

ANNEXURE 9 *(CONTINUED)*

Principle 4: Company's efforts to respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. *Has the company mapped its internal and external stakeholders? Yes/No*
   Yes.

2. *Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?*
   Yes.

3. *Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.*

   Your Company, has launched Project S.H.E (Security-Heath-Education).It is a grass roots level community programme designed to improve the lives of people in the communities around its plants with particular emphasis on empowering women. In the first year of the program, five manufacturing site locations have been identified to roll out the program. For FY 2016-17, total water replenished is 305 K m3 which is an integrated program under SHE which reaches out to more than 40,000 beneficiaries at 6 bottling plant locations covering 15 villages.

   The program targets to touch over 40,000 people in the 13 direct intervention villages in the five plan locations.The program will focus on:

   - Security: improving access and availability of drinking water & basic sanitation through water conservation.
   - Health: Community preventive care and healthcare for women/young mothers & adolescent girls
   - Education: job-oriented skills and entrepreneurship training for women.

   Your Company, as part of their CSR activities has taken up two very crucial initiatives, relating to road safety - the dangers of drinking and driving & Importance of having a 'sober designated driver'. We have a robust program which helps create awareness on road safety from university students to commercial drivers.

Principle 5: Company's efforts to promote human rights

1. *Does the policy of the company on human rights cover only the company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?*

   The Code of Business Conduct & Ethics (CoBCE) is the key policy governing the compliance and ethics framework of the Company and extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs.

   Additionally, during the year revised Co BCE has been rolled out to other USL subsidiaries, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, TERN Distilleries Private Limited and Four Seasons Wines Limited, through adoption of the policy by the respective Boards and training to the employees of the respective subsidiaries.

2. *How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?*

   During the year 115 cases were logged in Speakup (our whistle blower portal), which included 38 cases in the nature of HR grievances and only one-fourth being substantiated. Out of the above 99% cases have been closed and satisfactorily resolved.

Principle 6: Company's efforts towards environment protection.

1. *Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/ others.*

   The Policy is applicable to Group companies of your Company.

2. *Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.*

   Yes, your Company's sustainability strategies targets 2020, baseline reporting year as 2007 as explained below for each of the parameters.

ANNEXURE 9 *(CONTINUED)*

Water:

- Reduce water use through a 50% improvement in water use efficiency
- Return 100% of waste water from our operations to the environment safely.
- Replenish the amount of water used in our final product in water stressed areas.

Carbon:

- Reduce absolute greenhouse gas emissions from direct operations by 50%

Waste:

- Achieve zero waste to landfill

3. *Does the company identify and assess potential environmental risks? Y/N*

   Yes the Company have any project related to Clean Development Mechanism(CDM)? If so,provided etailsthere of, in about 50 words or so. Also, if Yes, whether any environmental compliance report isfiled?

   Your Company is committed to Carbon footprint reduction. USL has reduced carbon emission by 65% with respect to 2007 baseline through implementation of multiple projects to meet the heat demand of operation through renewable fuel and in-house power generation. Your Company developed a strategy to generate 10% of total power demand through renewable energy and implemented in two plants during F17

   Your Company's sustainability performance details are included and reported in Diageo's sustainability and Responsibility reporting, basis verification of data through PwC

4. *Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc? Y/N. If yes, please give hyperlink for web page etc.*

   Yes, Your Company has invested in multiple projects over last few years and ensured significant reduction in emissions through clean technology http://www.diageo.com/en-row/csr/casestudies/Pages/moving-fast-to-displace-fossil-fuels.aspx

5. *Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?*

   Yes.

6. *Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.*

   Notices received in the financial years are responded properly and resolved to satisfaction level.

Principle 7 : Company's efforts to responsibly engage while influencing public and regulatory policy.

1. *Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:*

   (a) International Spirits and Wines Association of India (ISWAI)
   (b) Confederation Of Indian Alcoholic Beverage Companies (CIABC)

2. *Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)*

   Yes. USL Diageo is a founding signatory of the Beer, Wine and Spirits Producers' Global Commitments, an ambitious set of targets aimed at making measurable progress in the following five areas, which we have advocated through the associations:

   - Reducing underage drinking
   - Strengthening and expanding marketing codes of practice
   - Providing consumer information and responsible product innovation
   - Preventing drinking and driving
   - Enlisting the support of retailers to reduce harmful drinking

ANNEXURE 9 *(CONTINUED)*

Principle 8 : Company's efforts to support inclusive growth and equitable development

1. *Does the company have specified programmes/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.*

   Your Company's priorities in India aim to enrich lives, communities and the environment through good business encompassing 3 key areas:

   1. Tackling alcohol misuse and promoting Responsible Drinking, focusing on drunk driving; underage drinking and industry collaboration
   2. Empowering women, focusing on education and skills
   3. Benefiting the communities around our plants, focusing on sanitation and health including Water.

   Key campaigns / wins / achievements / leadership in Tackling alcohol misuse and promoting Responsible Drinking are given below-

   (a) **Diageo and United Spirits: 'Road to Safety'**

   Realizing that consumer goods companies like Diageo and your Company can succeed only when they fulfil their responsibilities to society and the communities, and when they are committed to the safety and well-being of their consumers, the company makes full use of its knowledge of consumer insights by designing suitable programmes that are aimed at creating awareness, changing attitudes and shifting behaviour.

   (b) **The need of the hour: 'Road Safety in India'**

   The alarming incidence of road accidents is a matter of serious concern. India alone accounts for more than 12 per cent of the worldwide annual average of 1.24 million global road fatalities. Diageo and United Spirits' "Road to Safety" programme focuses on preventing drink driving, underage drinking and excessive drinking in India. There are two big programmes under this campaign. The first is a national programme spanning 45 cities across 20 Indian states in partnership with the Institute of Road Traffic Education (IRTE) and the Ministry of Road Transport & Highways. The second 'Diageo-NDTV Road to Safety' is a partnership with NDTV to educate and inspire citizens to action by highlighting critical issues including lack of safety awareness, public apathy towards accident victims and a widening gap between legislation and enforcement.

   (c) **Key community programmes**

   (i) **<u>Women Empowerment</u>:**

   Our values, our reputation and our purpose are important drivers of our commercial success. In this context, our Women's Empowerment program is an investment in our business. It will help us to grow the economies in which we operate, and to develop skills in the hospitality sector that are critical for our continued success. Those programmes are summarized below.

   India, our bottling plants and distilleries are mostly situated in semi-urban and rural areas, where communities often lack basic infrastructure necessary for dignified living. We have consciously decided to take an integrated approach by not just improving water efficiencies in our operations but also in our communities by providing access to clean drinking water, sanitation, healthcare facilities, education and employable skills to bridge the developmental gap.

   To ensure that we create shared value through our efforts, we collaborate with community, their local elected institutions (Panchayats), government, NGOs and other community based organizations creating deeper and wider impact.

   In Alwar, Rajasthan we have our distilling and bottling plant surrounded by 3 key villages from where most of our workforce comes from. This unit scores very high on diversity, safety and performance amongst the peer units. Our integrated approach for holistic development in these three villages has won us great relationship, trust and reputation with the key stakeholders. We have set up institutional mechanisms by first setting up Water, Sanitation and Health (WASH) committee mostly represented by women in these villages. These WASH committees mobilize larger community members to participate in identifying and solving challenges such as water, sanitation and livelihood. The WASH Committees are technically supported by our NGO partner who have mainstreamed these committee in the formal village development committees under Panchayat. Additional capacity of 125000 Cub Meter (equal to fill more than 50 Olympic size swimming pools) was is generated through Rain water harvesting structures, pond desilting and better water management practices. Earlier women had to walk the distance to fetch water, now these villages have 100% piped water facility at home. With piped water availability, the village committed to become 100% 'open defecation free', which they achieved and got rewarded by the government. The additional water stored in these ponds was then used for fisheries for which the panchayat earns money by subletting that facility to contractors.

1. In sanitation, the women had limited or expensive access to sanitary napkins. A self-help group (SHG) of 20 women was trained and supported to set up a micro enterprise to produce low cost sanitary napkins. They are producing and marketing it to more than 20 villages by not only earning but improving sanitation for more than 5000 women.
2. Through our efforts where we are empowering, guiding, mentoring and handholding the communities around our units have learnt to solve their issues and challenges through collaboration in more sustainable way which is driving value for our business, our communities and our partners.

   - Project SHE:
   - Benefited over 40000 people in the villages, of which 45% are women
   - Established resource centres, and water, sanitation and health (WASH) committees in 12 villages to oversee water resource management.
   - Constructed 104 soak pits, rainwater harvesting structures, drainage systems, and repaired 51 hand pumps.
   - Constructed toilet blocks in schools
   - Trained villagers on groundwater management
   - Installed 3 RO water purification systems in schools.
   - Built 58 community & SMART toilets
   - Conducted health and hygiene programmes to spread awareness on reproductive health, menstrual and personal hygiene
   - Imparted employable skill training to community women

The Young Women Social Entrepreneurship Programme trains master trainers in social entrepreneurship skills, equipping them to train others insetting up small businesses. The training focuses on practical businesss kills such as management, finances, communications, leadership, marketing and fundraising. In Phases I and 2, a critical mass of 60 master trainers have been trained across 30 cities / locations in India. They in turn have conducted training workshops across the country to a further 4000 women in India, promoting social entrepreneurship amongst the women. We have been working with the relevant ministries and Ms Maneka Gandhi, Union Cabinet Minister for Women & Child Welfare and the UK High Commissioner to India Sir James Bevan were gracious enough to evangelize those programmes.

(ii) **WASH: Water, Safety, Health, Education**

We have a grass-roots program to build thriving communities around our plants. Your Company's bottling plants are mostly situated in semi- urban areas with its distilleries mostly situated in rural areas. These communities lack basic infrastructure necessary for a dignified living. We are investing in programmes to benefit 18,000 women and 22,000 men in and around five key plants to develop safety, health and education through:

- Safe access to water
- Healthcare
- Employable skills training

For FY 2016-17, total water replenished is 305 K m3 which is an integrated program under SHE which reaches out to more than 40,000 beneficiaries at 6 bottling plant locations covering 15 villages.

2. *Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?*

   The programs are undertaken through reputed NGO partners and relevant organizations. We look at government partnerships in all our programs.

3. *Have you done any impact assessment of your initiative?*

   Yes, all our programs have strong measurement metrics built into them.

4. *What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.*

ANNEXURE 9 *(CONTINUED)*

Amount spent on various areas are summarized below-

- Road to Safety- ₹ 40 million
- Women Empowerment program: ₹ 14.5 Million
- Underage Drinking: ₹ 5 Million
- Community empowerment program : ₹ 15 Million

5. *Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.*

   Extensive community outreach has been built in our programs. We have created strong Self Help Groups (SHG) and WASH (Water, Sanitation and Hygiene) committees to ensure engagement, involvement and adoption by the community.

   A common thread across locations has been the many effective meetings of the WASH (Water, Sanitation and Hygiene) committees to understand the counteracting forces by assessing cultural backgrounds of the users of the water and sanitation facilities planned under S.H.E to:

   - Raise ownership
   - Increase potential of success
   - Mitigate risks
   - Diminish failure (e.g. to ensure that systems are not used to sabotage/ vandalise)

Principle 9: Company's efforts to engage with and provide value to their customers and consumers in a responsible manner

1. *What percentage of customer complaints/consumer cases are pending as on the end of financial year.*

   0% pending. In this financial year we received 68 complaints and all have been addressed and closed. 6 Consumer cases were registered with the respective Forums, out of which 2 are closed and 4 are still pending.

2. *Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/N.A. / Remarks(additional information)*

   Yes. Generally we have front and back label for few brands and few have a single label.

   Back Label – We print following mandatory details

   1. Branding
   2. MRP
   3. Manufacturing unit address
   4. Reg. office address
   5. FSSAI License number
   6. Customer care phone number and Mail ID.
   7. Ingredients
   8. Quantity and strength declarations
   9. Batch number and date of manufacturing
   10. Bar code
   11. Excise mandates as per state excise regulation.
   12. Country of Origin.

   Front label – We include:

   1. Branding
   2. Brand Claim / Brand Story
   3. Brand Assets

3. *Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.*

   Nil

4. *Did your Company carry out any consumer survey/ consumer satisfaction trends?*

   Your Company conducts various researches to make sure the best in class offer goes in the market; and also there is a regular survey in place to track consumer feedback on brand metrics. We use Neurotool to evaluate blends,packs,communication for our core brands; we have Brand track to monitor brand equity, Quality, awareness, penetration at regular intervals.

   There is another study currently running, which is about 'Quality at shelf display' – this is a qualitative survey to understand consumer acceptability of our brands from both retailer and consumers perspective.

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.

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

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

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.

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.

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

        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

ANNEXURE A TO THE 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 Auditors' 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.

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

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 11 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

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 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.

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

(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.

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

Pradip Kanakia
Partner
Membership Number: 039985

Stockholm
May 30, 2017

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
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, 1998-99 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 2016-17	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

* As represented by Management.

APPENDIX 1 – PARTICULARS OF TAX DUES NOT DEPOSITED ON ACCOUNT OF A DISPUTE* *(CONTINUED)*

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	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
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
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.

BALANCE SHEET

All amounts in INR Million

	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Assets				
Non-current assets				
Property, plant and equipment	3.1	11,751	10,749	10,679
Capital work-in-progress		851	2,449	645
Intangible assets	3.2	121	13	15
Financial assets				
Investments	4.1	-	82	8,582
Loans	5	124	903	951
Other financial assets	6	1,310	526	440
Investments in subsidiaries	4.2	9,354	9,831	10,632
Deferred tax assets (net)	7	1,241	1,539	1,099
Advance income tax (net)	8	2,886	1,906	2,281
Other non-current assets	9	3,484	2,930	3,460
Total non-current assets		**31,122**	**30,928**	**38,784**
Current assets				
Inventories	10	18,538	18,999	16,868
Financial assets				
Investments	4.1	-	11	11
Trade receivables	11	29,605	23,140	16,510
Cash and cash equivalents	12.1	439	48	1,821
Bank balances other than cash and cash equivalents	12.2	84	79	355
Other financial assets	6	1,729	3,235	5,305
Other current assets	9	6,132	5,419	4,340
Assets classified as held for sale	13	316	66	1
Total current assets		**56,843**	**50,997**	**45,211**
Total assets		**87,965**	**81,925**	**83,995**
Equity and liabilities				
Equity				
Share capital	14	1,453	1,453	1,453
Other equity				
Reserves and surplus	15.1	17,925	15,619	5,965
Other reserves	15.2	-	68	8,417
Total equity		**19,378**	**17,140**	**15,835**
Non-current liabilities				
Financial liabilities				
Borrowings	16	8,569	7,057	10,470
Other financial liabilities	17	-	84	251
Provisions	18	422	683	661
Total non-current liabilities		**8,991**	**7,824**	**11,382**

BALANCE SHEET *(CONTINUED)*

All amounts in INR Million

	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Current liabilities				
Financial liabilities				
Borrowings	16	28,272	29,941	36,213
Trade payables	19	11,798	10,018	8,716
Other financial liabilities	17	9,153	7,528	3,876
Provisions	18	2,615	2,359	2,295
Current tax liabilities (net)	8	3,317	3,477	3,177
Other current liabilities	20	4,441	3,638	2,501
Total current liabilities		**59,596**	**56,961**	**56,778**
Total liabilities		**68,587**	**64,785**	**68,160**
Total equity and liabilities		**87,965**	**81,925**	**83,995**
Significant accounting policies	1			

The above balance sheet should be read in conjunction with the accompanying notes.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

STATEMENT OF PROFIT AND LOSS

All amounts in INR Million

	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue			
Revenue from operations	21	253,988	234,442
Other income	22	1,111	1,057
Total Income		**255,099**	**235,499**
Expenses			
Cost of materials consumed	23	46,342	48,409
Purchase of stock-in-trade		2,058	1,956
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	444	(1,959)
Excise duty		168,512	151,960
Employee benefits expense	25	6,674	6,427
Finance costs	26	3,690	4,469
Depreciation, amortisation and impairment expense	3.1, 3.2	1,323	1,017
Others:			
Advertisement and sales promotion		6,667	6,138
Other expenses	27	13,581	12,647
Total expenses		**249,291**	**231,064**
Profit before exceptional items and taxation		**5,808**	**4,435**
Less: Exceptional items (net)	28	(3,262)	(1,280)
Profit before taxation		**2,546**	**3,155**
Income tax expense:			
Current tax	29	549	1,744
Current tax relating to earlier years		-	568
Deferred tax charge/ (credit)		271	(349)
MAT credit utilised/ (availed)		27	(27)
Profit for the year		**1,699**	**1,219**
Other comprehensive Income			
Items that will not be reclassified to profit or loss			
Changes in fair value of FVOCI equity instruments		18	187
Remeasurements of post-employment benefit obligations		735	(165)
Tax relating to these items		(254)	64
Other comprehensive income for the year, net of tax		**499**	**86**
Total comprehensive income for the year		**2,198**	**1,305**
Basic and diluted earnings per share (INR)	30	11.69	8.39

The above statement of profit and loss should be read in conjunction with the accompanying notes.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

CASH FLOW STATEMENT

All amounts in INR Million

		Notes	For the year ended March 31, 2017		For the year ended March 31, 2016	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit / (loss) before taxation			**2,546**		**3,155**
	Adjustments for					
	Depreciation, amortisation and impairment expense	3.1, 3.2	1,323		1,017	
	Employee share based expense	35	57		-	
	Impairment in the value of Investment in subsidiaries	28	882		3,880	
	Provision for advances to subsidiaries written back	28	(819)		(2,480)	
	Write down in the value of plant and equipment	28	217		-	
	Reversal of provision against claims	28	(28)		-	
	Allowance for doubtful receivables/ advances/ deposits written back	28	(370)		(6,209)	
	Bad debts/ advances/ deposits written off	28	358		5,666	
	Allowance for doubtful receivable towards sale of Property, Plant and Equipment	28	-		316	
	Provision for doubtful debts / advances / deposits	27	43		894	
	Bad debts/ advances/ deposits written off	27	19		-	
	Unrealised foreign exchange loss		129		(165)	
	Finance costs	26	3,690		4,469	
	Liabilities, provisions or allowances no longer required written back	22	(514)		(330)	
	Loss / (gain) on disposal of property, plant and equipment (net)	22, 27	(337)		12	
	Dividend income	22	(50)		(17)	
	Interest Income	22	(202)		(479)	
				4,398		**6,574**
	Operating profit before working capital changes			**6,944**		**9,729**
	(Increase) / decrease in trade receivables		(6,712)		(6,902)	
	(Increase) / decrease in loans and other financials assets		1,882		1,399	
	(Increase) / decrease in non-financials assets		(327)		(851)	
	(Increase) / decrease in inventories		461		(2,131)	
	Increase / (decrease) in trade payables		2,027		1,302	
	Increase / (decrease) in other financial liabilities		3,572		299	
	Increase / (decrease) in other liabilities		804		1,137	
	Increase / (decrease) in provisions		714	**2,421**	(79)	**(5,826)**
	Cash generated from operations			**9,365**		**3,903**
	Income taxes paid			(1,943)		(1,637)
	Net cash inflow from operating activities			**7,422**		**2,266**

CASH FLOW STATEMENT *(CONTINUED)*

All amounts in INR Million

		Notes	For the year ended March 31, 2017		For the year ended March 31, 2016	
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of property, plant and equipment		(2,037)		(2,490)	
	Proceeds from sale of property, plant and equipment		528		18	
	Proceeds from sale of investments		111		8,686	
	Investment in subsidiaries		(432)		(598)	
	Proceeds from sale of manufacturing unit		-		250	
	Interest received		202		1,171	
	Dividend received		50		17	
	Net cash in flow / (outflow) from investing activities			**(1,578)**		**7,054**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Proceeds from non-current borrowings		5,000		3,500	
	Repayment of non-current borrowings		(5,000)		(3,791)	
	Proceeds from current borrowings		17,250		9,000	
	Repayment of current borrowings		(18,919)		(15,272)	
	Finance lease payments		(86)		(43)	
	Interest paid		(3,698)		(4,487)	
	Net cash inflow / (outflow) from financing activities			**(5,453)**		**(11,093)**
	Net increase / (decrease) in cash and cash equivalents			**391**		**(1,773)**
	Cash and cash equivalents as at the beginning of the year			48		1,821
	Cash and cash equivalents as at the end of the year			439		48
				391		**(1,773)**

The above statement of cash flows should be read in conjunction with accompanying notes.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017

A. Equity share capital (Refer Note 14)

All amounts in INR Million

Particulars	Amount
As at April 1, 2015	**1,453**
Changes in equity share capital	-
As at March 31, 2016	**1,453**
Changes in equity share capital	-
As at March 31, 2017	**1,453**

B. Other equity (Refer Note 15)

	Reserves and surplus									Other reserves	Total
	Capital reserve	Capital redemption reserve	Securities premium account	Central subsidy	Share based incentive reserve	Contingency reserve	General reserve	Retained Earnings	Total	FV OCI - Equity Instruments	
Balance as at April 1, 2015	**683**	**699**	**45,682**	**2**	**-**	**110**	**11,033**	**(52,244)**	**5,965**	**8,417**	**14,382**
Profit for the year	-	-	-	-	-	-	-	1,219	1,219	-	1,219
Other Comprehensive income (OCI)	-	-	-	-	-	-	-	(165)	(165)	187	22
Tax impact of OCI items	-	-	-	-	-	-	-	64	64	-	64
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,118**	**1,118**	**187**	**1,305**
Transferred to retained earnings on sale of equity investments	-	-	-	-	-	-	-	8,536	8,536	(8,536)	-
Balance as at March 31, 2016	**683**	**699**	**45,682**	**2**	**-**	**110**	**11,033**	**(42,590)**	**15,619**	**68**	**15,687**
Profit for the year	-	-	-	-	-	-	-	1,699	1,699	-	1,699
Other Comprehensive income (OCI)	-	-	-	-	-	-	-	735	735	18	753
Tax impact of OCI items	-	-	-	-	-	-	-	(254)	(254)	-	(254)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,180**	**2,180**	**18**	**2,198**
Share based incentives	-	-	-	-	40	-	-	-	40	-	40
Transferred to retained earnings on sale of equity investments	-	-	-	-	-	-	-	86	86	(86)	-
Balance as at March 31, 2017	**683**	**699**	**45,682**	**2**	**40**	**110**	**11,033**	**(40,324)**	**17,925**	**-**	**17,925**

The above statement of changes in equity should be read in conjunction with accompanying notes.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

NOTES TO THE FINANCIAL STATEMENTS

Company overview

United Spirits Limited ("the Company" or "USL") is a public company domiciled and headquartered in Bengaluru, Karnataka, India. It is incorporated under the Companies Act, 1956 and its shares are listed on the BSE Limited and National Stock Exchange of India Limited. The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines).

These financial statements are approved for issue by the Company's Board of Directors on May 30, 2017.

Note 1 - Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation of financial statements

(i) *Compliance with Ind AS*

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The financial statements up to year ended March 31, 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP).

These financial statements are the first financial statements of the Company under Ind AS. Refer Note 61 for an explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position as at March 31, 2016 and April 1, 2015 and financial performance and cash flows for the year ended March 31, 2016.

(ii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities which are measured at fair value;
- defined benefit plans- plan assets measured at fair value;
- share-based payment obligations; and
- assets held for sale – measured at lower of cost and fair value less costs to sell

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III (division II) to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of asset for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current / non- current classification of assets and liabilities.

1.2 Foreign currency translation

(i) *Functional and presentation currency*

The financial statements are presented in Indian Rupee (INR), which is Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in Statement of profit and loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

1.3 Property, plant and equipment and Intangible assets

Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.3 <u>Property, plant and equipment and Intangible assets</u> *(continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Statement of profit and loss during the reporting period in which they are incurred.

The cost of property, plant and equipment which are not ready for their intended use before such date, are disclosed as capital work-in-progress.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the straight line method as per the estimated useful lives of assets as below:

Asset category	Useful life (in years)	Basis of determination of useful lives
Buildings		
- Roads	5	Schedule II of the Act
- Buildings	30 - 60	Schedule II of the Act
Plant and equipment		
- Wooden casks	7.5 - 15	Management estimate
- Others	7.5 – 15	Schedule II of the Act and management estimate
Furniture and Fittings	10	Schedule II of the Act
Office Equipment		
- Computers	3	Schedule II of the Act
- Servers	3	Management estimate
- Others	5	Schedule II of the Act
Vehicles	5	Management estimate

Useful lives of asset classes determined by management estimate, which differ from those prescribed under Schedule II of the Act are supported by internal technical assessment of the useful lives.

In respect of certain items of plant and equipment for which rates are prescribed in Part C of Schedule II of the Act based on the number of shifts, depreciation is provided for the full year on triple shift basis.

Property, plant and equipment acquired on amalgamation are depreciated as per the above policy over the remaining useful life at the date of acquisition.

Assets taken on finance lease are depreciated over their estimated useful lives as stated above or the lease term, whichever is shorter, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Statement of profit and loss within Other income/ Other expenses.

Intangible assets

Brands and Licenses

Licenses acquired are carried at cost less accumulated amortisation and impairment losses, if any. Brands are regarded as having indefinite useful economic lives and are not amortised.

Computer software

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of customised computer software applications are recognised as intangible assets when the following criteria are met:

a) it is technically feasible to complete the software so that it will be available for use.
b) there is an ability to use or sell the software.
c) it can be demonstrated how the software will generate probable future economic benefits.
d) adequate technical, financial and other resources to complete the development and to use or sell software are available, and
e) the expenditure attributable to the software during its development can be reliably measured.

1.3 Property, plant and equipment and Intangible assets *(continued)*

Directly attributable costs that are capitalised as part of the customised computer software applications include employee costs and other directly attributable costs.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

Research and development costs

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, further economic benefits are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

Amortisation methods and periods

The Company amortises intangible assets with a finite useful life using the straight-line method over their estimated useful life as follows:

- Licenses – over the license period
- Computer software – 5 years

Impairment of property, plant and equipment and Intangible assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment and intangible assets recognized as at April 1, 2015 measured as per previous GAAP and use that carrying value as deemed cost of the property, plant and equipment and intangible assets.

1.4 Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other lease arrangements are classified as operating leases.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.4 Leases *(continued)*

As a lessor

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

1.5 Investments in subsidiaries and associates

Investments (including deemed investments) in subsidiaries and associates are carried at deemed cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. From time to time, Company provides loans to subsidiaries on mutually agreed terms. Where Company expects to recover these loans only on sale or liquidation of the subsidiary, such loans are treated as a deemed equity investment in subsidiary. The loans are presented under 'Investments in subsidiaries' and carried at cost (net of impairment allowance) in accordance with Ind AS 27.

On disposal of investments in subsidiaries and associates the difference between net disposal proceeds and the carrying amounts are recognized in the Statement of profit and loss.

1.6 Financial Instruments

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets - Initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Financial assets, other than equity instruments, are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both (a) the entity's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset.

Debt instruments measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Amortised cost is calculated using the effective interest rate ("EIR") method by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.6 <u>Financial Instruments</u> *(continued)*

Measured at fair value through other comprehensive income (FVOCI):

A financial asset is measured at FVOCI, if it is held with an objective to collect contractual cash flows and selling such financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding. It is subsequently measured at fair value with fair value movements recognised in the Other Comprehensive Income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Measured at fair value through profit and loss (FVPL):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost and at FVOCI. The credit loss is difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. This is assessed on an individual or collective basis after considering all reasonable and supportable information including that which is forward-looking.

For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The losses arising from impairment are recognised in the Statement of profit and loss.

Derecognition of financial assets

A financial asset is derecognised only when:

- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset.

Derivative financial instruments

The Company uses derivative financial instruments, such as forward foreign exchange contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value, with changes in fair value recognised in Statement of profit and loss.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.6 <u>Financial Instruments</u> *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Recognition of Income from Investments and other financial assets

Dividend income on investments is recognised and accounted for when the right to receive the payment is established.

Interest income and guarantee commission is accounted for on a time-proportion basis using amortised cost taking into account the amounts invested and the rate of interest.

1.7 <u>Inventories</u>

Inventories which comprise of raw materials, work-in-progress, finished goods, stock-in-trade, packing materials and stores and spares are carried at the lower of cost or net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis. Adequate allowance is made for obsolete and slow moving items.

1.8 <u>Trade receivables</u>

Trade receivables are initially recognised at their transaction price (fair value) and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.9 <u>Cash and cash equivalents</u>

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1.10 <u>Revenue Recognition</u>

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duties and net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a. **Sale of products**

Revenue is recognised on dispatch of goods or on delivery to customer, in accordance with the terms of sale.

b. **Revenue from tie-up manufacturing arrangements**

The company has entered into arrangements with tie-up manufacturers (TMU), where-in TMUs manufacture and sell on behalf of the Company. Accordingly, the transactions of the tie-up units under such arrangements have been recorded as gross revenue, excise duty and expenses as they were transactions of the Company.

c. **Income from brand franchise arrangements**

Income from brand franchise is recognised in terms of the respective contracts upon sale of the products by the franchisees. Revenue in respect of fixed value brand franchise arrangements is recognized proportionately in each period. Income from brand franchise is net of service tax.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.11 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Defined contribution plans

These are plans in which the Company pays pre-defined amounts to publicly administered funds as per local regulations and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government, superannuation fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Company's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

(b) Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of profit and loss.

The obligations are presented as current / non-current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) Post-employment obligation

The Company's defined benefit plans comprise of gratuity, pension and provident fund (administered by trusts set up by the Company, where the Company's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Company).

The liability or asset recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(d) Share-based payments

Share based compensated benefits are provided to certain grades of employees in the form of United Spirits Limited-Stock Appreciation Rights Plan, a cash settled scheme, and the Diageo Incentive Plan, an equity settled scheme.

Stock appreciation rights

Liabilities for the Company's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as provisions in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.11 Employee benefits *(continued)*

Diageo incentive plan

The fair value of equity settled share options based on shares of Diageo Plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of profit and loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognizes the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plan are recharged by Diageo Plc, the same is accounted for as a reduction from equity.

1.12 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in countries where Company has taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Interest and penalties on Income-tax has been disclosed with current tax charge.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is reasonably certain that the Company will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the statement of profit and loss. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer reasonable certainity to the effect that Company will pay normal income-tax during the specified period. MAT credit entitlement is presented as deferred tax asset in the balance sheet.

1.13 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

1.14 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.14 <u>Provisions and contingencies</u> *(continued)*

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.15 <u>Borrowings</u>

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.16 <u>Borrowing costs</u>

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

1.17 <u>Exceptional items</u>

When an item of income or expense within Statement of profit and loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year, the nature and amount of such items is disclosed as exceptional items.

1.18 <u>Segmental information</u>

Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing/brand franchise. The Company has identified its Executive Committee as the Chief Operating Decision Maker. The Executive Committee assesses performance and allocates resources for 'Prestige and Above' and 'Popular' brand segments. 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.

1.19 <u>Equity</u>

Own shares represent shares and share options of the Company that are held in treasury by USL Benefit trust. Pursuant to order of High Court of Karnataka and Bombay, shares held in aforesaid trust shall be treated as part of investment in subsidiary.

Dividends - Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.20 Assets (or disposal groups) held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale under current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable and is expected to be sold within one year from the balance sheet date. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet under the heading Current assets. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

1.21 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with Ind AS 37 and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

1.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.23 Common control transactions

Business combinations involving entities that are controlled by the Company are accounted for using the pooling of interests method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. Adjustments are only made to harmonise accounting policies.
- The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.
- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.
- The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.
- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.24 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III to the Companies Act, 2013, unless otherwise stated. The sign '0' in these Ind AS standalone financial statements indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are nil.

1.25 Recent accounting pronouncements

Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of Cash Flows' and Ind AS 102, 'Share-based payment'. These amendments are in accordance with the amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of Cash Flows' and IFRS 2, 'Share-based payment', respectively. The amendments are applicable to the Company from April 1, 2017.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and the closing balances in the balance sheet for liabilities arising from the financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and believes that the effect on the financial statements is unlikely to be material.

Amendment to Ind AS 102:

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that includes a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Company is evaluating the requirements of the amendment and believes that the impact on the financial statements is unlikely to be material.

2. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – Note 39
- Estimation of provisions and contingent liabilities – Notes 18 and 54
- Impairment of investments in subsidiaries – Note 36

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

3.1 Property, Plant and Equipment

	Owned						Leased			Total
	Freehold Land	Buildings [Notes (a) and (b) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Land	Office Equipment	Vehicles	
Year ended March 31, 2016										
Gross carrying amount										
Deemed cost as at April 1, 2015	2,581	2,672	4,839	252	94	16	112	100	13	**10,679**
Additions	-	170	794	41	64	3	9	35	-	**1,116**
Disposals	-	(12)	(13)	(4)	(3)	-	-	-	(3)	**(35)**
Closing gross carrying amount	**2,581**	**2,830**	**5,620**	**289**	**155**	**19**	**121**	**135**	**10**	**11,760**
Accumulated depreciation										
Depreciation charge for the year	-	93	751	52	61	13	-	42	3	**1,015**
Disposals	-	-	(3)	-	(1)	-	-	-	-	**(4)**
Closing accumulated depreciation	**-**	**93**	**748**	**52**	**60**	**13**	**-**	**42**	**3**	**1,011**
Net carrying amount as at March 31, 2016	**2,581**	**2,737**	**4,872**	**237**	**95**	**6**	**121**	**93**	**7**	**10,749**
Year ended March 31, 2017										
Gross carrying amount										
Opening gross carrying amount	2,581	2,830	5,620	289	155	19	121	135	10	**11,760**
Additions	-	912	1,742	99	90	3	10	107	4	**2,967**
Assets classified as held for sale (refer Note 13)	(35)	(202)	(38)	(4)	(2)	-	-	-	-	**(281)**
Disposals [Note (c) below]	(21)	(84)	(352)	(15)	(16)	(6)	-	-	-	**(494)**
Closing gross carrying amount	**2,525**	**3,456**	**6,972**	**369**	**227**	**16**	**131**	**242**	**14**	**13,952**
Accumulated depreciation										
Opening accumulated depreciation	-	93	748	52	60	13	-	42	3	**1,011**
Depreciation charge for the year	-	166	889	66	64	3	44	72	3	**1,307**
Assets classified as held for sale (refer Note 13)	-	(9)	(18)	(2)	(2)	-	-	-	-	**(31)**
Disposals	-	(7)	(57)	(3)	(13)	(6)	-	-	-	**(86)**
Closing accumulated depreciation	**-**	**243**	**1,562**	**113**	**109**	**10**	**44**	**114**	**6**	**2,201**
Net carrying amount as at March 31, 2017	**2,525**	**3,213**	**5,410**	**256**	**118**	**6**	**87**	**128**	**8**	**11,751**

Notes:

(a) Buildings include an amount of INR 357 (2016: INR 357, 2015: INR 357) in respect of which title deeds are yet to be registered in the name of the Company.

(b) Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation:

i) 660 equity shares (unquoted) of INR 100/- each fully paid in Shree Madhu Industrial Estate Limited INR 0.066 (2016 and 2015: INR 0.066).

ii) 199, 6 % Debentures (unquoted) of INR 1,000/- each fully paid in Shree Madhu Industrial Estate Limited INR 0.199 (2016 and 2015: INR 0.199).

iii) Deposit with Shree Madhu Industrial Estate Limited INR 0.132 (2016 : INR 0.132 ; 2015: INR 0.132).

iv) Fully paid shares INR 0.006 (2016 : INR 0.006 ; 2015: INR 0.006) held in a Co-operative Housing Society.

(c) Disposal includes write down of INR 217 in the value of certain plant and equipment disclosed as exceptional items (refer Note 28).

3.1 Property, Plant and Equipment *(Continued)*

Leased assets
Refer Note 40(a)

Property, plant and equipment pledged as security
Refer to Note 34 for information on property, plant and equipment pledged as security by the Company.

Contractual obligations
Refer to Note 53 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

3.2 Intangible assets

All amounts in INR Million

	Brand	Licenses	Computer software	Total
Year ended March 31, 2016				
Gross carrying amount				
Deemed cost as at April 1, 2015	9	6	-	15
Additions	-	-	-	-
Disposals	-	-	-	-
Closing gross carrying amount	9	6	-	15
Accumulated amortisation				
Amortisation charge for the year	-	2	-	2
Disposals	-	-	-	-
Closing accumulated amortisation	-	2	-	2
Net carrying amount as at March 31, 2016	9	4	-	13
Year ended March 31, 2017				
Gross carrying amount				
Opening gross carrying amount	9	6	-	15
Additions	-	32	-	32
Additions- Internal development	-	-	92	92
Disposals	-	-	-	-
Closing gross carrying amount	9	38	92	139
Accumulated amortisation				
Opening accumulated amortisation	-	2	-	2
Amortisation charge for the year	-	4	3	7
Impairment charge for the year	9	-	-	9
Disposals	-	-	-	-
Closing accumulated amortisation	9	6	3	18
Net carrying amount as at March 31, 2017	-	32	89	121

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

4.1. Investments

All amounts in INR Million

	Face value	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
		Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Non-current							
Investments in equity instruments carried at FVOCI (fully paid-up)							
In others							
Quoted							
McDowell Holdings Limited	INR 10/-	-	-	50,000	1	50,000	1
United Breweries Limited	INR 1/-	-	-	-	-	85,00,000	8,503
Mangalore Chemicals & Fertilizers Limited	INR 10/-	-	-	6,150	1	6,150	1
Housing Development Finance Corporation Limited	INR 2/-	-	-	1,200	1	1,200	2
ICICI Bank Limited	INR 2/-	-	-	44,580	11	44,580	14
HDFC Bank Limited	INR 2/-	-	-	1,000	1	1,000	1
Vijaya Bank	INR 10/-	-	-	42,100	1	42,100	2
Radico Khaitan Limited	INR 2/-	-	-	5,37,850	51	5,37,850	48
Khaitan Chemicals & Fertilizers Limited	INR 1/-	-	-	1,38,800	1	1,38,800	1
Total investments in equity instruments			**-**		**68**		**8,573**
Investment in mutual funds at FVPL							
Quoted							
Unit Trust of India							
UTI Balance Fund - Income - Retail (formerly known as Unit Scheme 2002)		-	-		14		9
Total investment in mutual funds			**-**		**14**		**9**
Total non-current investments			**-**		**82**		**8,582**
Current							
Investments in mututal funds carried at FVPL							
Quoted							
HSBC Mutual Fund			-		2		2
ICICI Prudential Liquid Fund			-		9		9
SBI - Premier Liquid Fund			-		0		0
Total current investments			**-**		**11**		**11**
Aggregate amount of quoted investments and market value thereof			-		93		8,593

All amounts in INR Million

		Face value	Number of shares	As at March 31, 2017	Number of shares	As at March 31, 2016	Number of shares	As at April 1, 2015
4.2	**Investments in subsidiaries**							
	Investment in equity instruments carried at cost (fully paid-up)							
	Quoted							
	Pioneer Distilleries Limited	INR 10/-	10,041,150	-	10,041,150	-	10,041,150	-
	Unquoted							
	United Spirits Nepal Private Limited (Refer Note 49)	NRS 100/-	-	-	-	-	67,716	66
	McDowell & Co (Scotland) Limited	GBP 1/-	1,575,000	126	1,575,000	126	1,575,000	126
	Shaw Wallace Overseas Limited [Refer Note 51(a)]	GBP 1/-	357,745	-	357,745	-	357,745	-
	Sovereign Distilleries Limited (Refer Note 50)	INR 10/-	485,139,152	4,267	485,139,152	4,267	58,442,746	-
	Less: Impairment in the value of investment			3,158		2,681		-
				1,109		1,586		-
	Tern Distilleries Private Limited (Refer Note 50)	INR 10/-	102,676,347	987	102,676,347	987	4,000,000	-
	Less: Impairment in the value of investment			602		527		-
				385		460		-
	Asian Opportunities & Investments Limited	USD 1/-	4,998,706	-	4,998,706	-	4,998,706	-
	Palmer Investment Group Limited	USD 1/-	15,000,000	-	15,000,000	-	15,000,000	-
	Montrose International S.A	USD 1000/-	500	-	500	-	500	-
	Liquidity Inc.	USD 0.0001/-	4,000,000	-	4,000,000	-	4,000,000	-
	Four Seasons Wines Limited	INR 10/-	27,668,899	-	27,668,899	-	27,668,899	-
	USL Holdings Limited	USD 1	500,000	-	500,000	-	500,000	-
	United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	-	500,000	-	500,000	-
	Royal Challengers Sports Private Limited	INR 10/-	14,690	421	14,690	421	14,690	421
	Total investments in equity instruments			**2,041**		**2,593**		**613**
	Investments in others carried at cost							
	Investment as sole beneficiary in USL Benefit Trust [refer Note (a) below]			1,197		1,197		1,197
	Investments in preference shares carried at cost (fully paid-up)							
	Unquoted							
	12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	INR 10/-	30,612,245	145	30,612,245	145	30,612,245	145
	Less: Impairment in the value of investment			145		145		-
				-		-		145
	12% Cumulative Redeemable preference shares of Four Seasons Wines Limited	INR 10/-	8,000,000	80	8,000,000	80	8,000,000	80
	Less: Impairment in the value of investment			80		80		-
				-		-		80
	Total investments in preference shares			**-**		**-**		**225**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

4.2 Investments in subsidiaries *(continued)*

All amounts in INR Million

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Advances considered deemed investment in subsidiaries			
Asian Opportunities & Investments Limited	213	255	1,557
Less: Impairment in the value of investment	213	255	-
	-	-	1,557
Four Seasons Wines Limited	667	624	535
Less: Impairment in the value of investment	261	125	-
	406	499	535
Pioneer Distilleries Limited	1,354	1,354	1,354
Less: Impairment in the value of investment	194	-	-
	1,160	1,354	1,354
Liquidity Inc.	-	-	-
McDowell & Co (Scotland) Limited	404	431	396
Sovereign Distilleries Limited	5	-	1,101
Tern Distilleries Private Limited	9	-	461
USL Holdings Limited	-	-	-
Royal Challengers Sports Private Limited	4,132	3,757	3,193
United Spirits (Shanghai) Trading Company Limited	-	-	-
Total deemed investments	**6,116**	**6,041**	**8,597**
Total investments	**9,354**	**9,831**	**10,632**
Aggregate amount of quoted investments and market value thereof	1,640	1,295	703
Aggregate amount of unquoted investments	14,007	13,644	10,632
Aggregate amount of impairment in the value of investments (refer Note 36)	(4,653)	(3,813)	-

Notes:

(a) Investment as a sole beneficiary in USL Benefit Trust was made as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, for amalgamating various companies with the United Spirits Limited. The trust has been established for the exclusive benefit of the Company and holds 3,459,090 shares of the Company. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. Also refer Notes 34 and 46, for assets pledged.

(b) Additional information

The Company has measured its investments in subsidiaries at cost in accordance with Ind AS 27. On adoption of Ind AS, Company has measured these investments at deemed cost using the net carrying value as per previous GAAP as at March 31, 2015.

4.2 Investments in subsidiaries *(continued)*

All amounts in INR Million

The gross amount of investments in subsidiaries as at March 31, 2015 and the related impairment allowances as at that date have been provided below as additional information-

	Gross investment	Less impairment allowance	Deemed cost as at April 1, 2015
Investment in equity instruments carried at cost (fully paid-up)			
Quoted			
Pioneer Distilleries Limited	1,117	1,117	-
Unquoted			
United Spirits Nepal Private Limited	66	-	66
McDowell & Co (Scotland) Limited	126	-	126
Shaw Wallace Overseas Limited	14	14	-
Sovereign Distilleries Limited	315	315	-
Asian Opportunities & Investments Limited	301	301	-
Palmer Investment Group Limited	6,918	6,918	-
Montrose International S.A	134	134	-
Liquidity Inc.	119	119	-
Four Seasons Wines Limited	291	291	-
USL Holdings Limited	22	22	-
United Spirits (Shanghai) Trading Company Limited	27	27	-
Royal Challengers Sports Private Limited	1,699	1,278	421
Tern Distilleries Private Limited	140	140	-
Total investments in equity instruments	**11,289**	**10,676**	**613**
Investments in others			
Investment as sole beneficiary in USL Benefit Trust	1,197	-	1,197
Investments in preference shares (fully paid-up)			
Unquoted			
12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	322	177	145
12% Cumulative Redeemable preference shares of Four Seasons Wines Limited	80	-	80
Total investments in preference shares	**402**	**177**	**225**
Advances considered deemed investment in subsidiaries			
Asian Opportunities & Investments Limited	1,802	245	1,557
Four Seasons Wines Limited	633	98	535
Liquidity Inc.	54	54	-
McDowell & Co (Scotland) Limited	396	-	396
Pioneer Distilleries Limited	1,354	-	1,354
Royal Challengers Sports Private Limited	3,193	-	3,193
Sovereign Distilleries Limited	3,308	2,207	1,101
Tern Distilleries Private Limited	733	272	461
USL Holdings Limited	46,432	46,432	-
United Spirits (Shanghai) Trading Company Limited	16	16	-
	57,921	**49,324**	**8,597**
Total investments at deemed cost as at April 1, 2015			**10,632**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
5.	**Loans**			
	Non-current			
	Unsecured			
	Loan to UBHL (refer Note 42)			
	Considered doubtful	13,681	13,972	14,220
	Loans to related parties [refer Note 37(c)]			
	Considered good	124	903	951
	Considered doubtful	2,663	2,496	2,207
	Total loans to related parties	**2,787**	**3,399**	**3,158**
		16,468	17,371	17,378
	Less: Allowance for doubtful loans	(16,344)	(16,468)	(16,427)
	Total non-current loans	**124**	**903**	**951**
6.	**Other financial assets**			
	Non-current			
	Security deposits	204	258	193
	Balances with banks [refer Note (a), (b) and (c) below]	729	268	247
	Advances to tie-up manufacturing units			
	Considered good	377	-	-
	Considered doubtful	-	128	134
		1,310	**654**	**574**
	Less: Allowance for doubtful balances	-	(128)	(134)
	Total other non-current financials assets	**1,310**	**526**	**440**

Notes :

(a) Includes deposit of INR 459 (2016 : Nil and 2015 : Nil) with a bank in suspense account (refer Note 46)

(b) Includes deposit of INR 268 (2016 : INR 267 and 2015 : INR 246) with a bank kept under escrow pending resolution of various taxation matters.

(c) Margin money against bank guarantees INR 2 (2016 : INR 1 and 2015: INR 1)

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Current			
Interest accrued on loans - related parties [Refer note 37(c)]			
Considered good	783	783	1,475
Considered doubtful	126	126	126
Receivable from related parties [Refer note 37(c)]			
Considered good	104	9	-
Advances to Tie-up manufacturing units			
Considered good	504	1,516	1,623
Considered doubtful	415	352	708
Receivable towards sale of Property, plant and equipment			
Considered good	72	-	871
Considered doubtful	621	621	-
Loans and advances to employees			
Considered good	38	26	13
Security deposits			
Considered good	151	222	286
Considered doubtful	73	63	1,417
Other advances			
Considered good	77	679	1,037
Considered doubtful	241	308	1,609
	3,205	**4,705**	**9,165**
Less: Allowance for doubtful receivables and advances	(1,476)	(1,470)	(3,860)
Total other current financial assets	**1,729**	**3,235**	**5,305**

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
7.	**Deferred tax assets (net)**			
	MAT credit receivable	-	27	-
	Deferred tax assets			
	Allowance for doubtful debts / advances / deposits	1,015	971	1,111
	Provisions	948	1,108	592
	Others	39	29	-
		2,002	**2,108**	**1,703**
	Deferred tax liabilities			
	Depreciation and amortisation	761	596	604
		1,241	1,512	1,099
	Total - Deferred tax assets (net)	**1,241**	**1,539**	**1,099**

Movement in deferred tax assets	Allowance for doubtful debts/ advances / deposits	Provisions	Depreciation and amortisation	Others	Total
As at April 1, 2015	**1,111**	**592**	**(604)**	**-**	**1,099**
(Charged) / Credited:					
- to profit and loss	(140)	452	8	29	349
- to other comprehensive income	-	64	-	-	64
As at March 31, 2016	**971**	**1,108**	**(596)**	**29**	**1,512**
(Charged) / Credited:					
- to profit and loss	44	(160)	(165)	10	(271)
- to other comprehensive income	-	-	-	-	-
As at March 31, 2017	**1,015**	**948**	**(761)**	**39**	**1,241**

		As at March 31, 2017	As at March 31, 2016
8.	**Income tax balances**		
	Current tax liabilities		
	Opening balance	3,477	3,177
	Add: Current tax payable for the year	-	2,312
	Add / (Less) : Reclassification to advance tax (net)	(149)	(375)
	Less : Taxes paid	(11)	(1,637)
	Closing balance	**3,317**	**3,477**
	Advance tax (net)		
	Opening balance	1,906	2,281
	Add : Taxes paid	1,932	-
	Less: Current tax payable for the year	(803)	-
	Less : Reclassification from current tax liabilities	(149)	(375)
	Closing balance	**2,886**	**1,906**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
9.	**Other assets**			
	Non-current			
	Capital advances	44	165	467
	Balances with government authorities			
	Considered good	1,076	654	654
	Considered doubtful	1,879	1,898	1,908
	Net surplus in gratuity plan [Refer Note 39(b)]	473	-	-
	Pre-paid expenses	1,891	2,111	2,339
		5,363	4,828	5,368
	Less: Allowance for doubtful balances	(1,879)	(1,898)	(1,908)
	Total other non-current assets	**3,484**	**2,930**	**3,460**
	Current			
	Indirect taxes and duties paid in advance	2,701	3,356	2,279
	Advances to related parties [Refer note 37(c)]			
	Considered good	1,342	581	664
	Considered doubtful	-	819	819
	Advances to suppliers			
	Considered good	1,095	514	472
	Considered doubtful	839	938	982
	Pre-paid expenses	994	968	925
		6,971	7,176	6,141
	Less: Allowance for doubtful advances	(839)	(1,757)	(1,801)
	Total other current assets	**6,132**	**5,419**	**4,340**
10.	**Inventories**			
	(Valued at lower of cost and net realisable value)			
	Raw materials	1,479	1,783	2,469
	[including materials in transit INR 279 (2016: INR 145, 2015: INR 250)]			
	Work-in-progress	9,200	8,965	8,519
	[including held by a branch outside India INR 4,024 (2016: INR 4,271, 2015: INR 4,481)]			
	Finished goods	5,453	5,457	3,523
	[including goods in transit INR 283 (2016: INR 1,069, 2015: INR 925)]			
	Stock-in-trade	510	484	19
	[including goods in transit INR 202 (2016: INR 55, 2015: INR Nil)]			
	Packing materials	1,812	2,240	2,270
	[including materials in transit INR 59 (2016: INR 58, 2015: INR Nil)]			
	Stores and spares	84	70	68
	Total inventories	**18,538**	**18,999**	**16,868**

Amounts recognised in profit and loss

Allowance for obsolete inventories for the year amounted to INR 301 (2016: INR 353). The net allowance is recognised as an expense during the year and included in 'change in inventories of finished goods, work-in-progress and stock-in-trade' in statement of profit and loss. Further an allowance of INR 168 (2016: Nil) has been recognised as an expense as exceptional item [refer Note 28(a)].

For details of inventories pledged as security refer Note 34.

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
11.	**Trade receivables**			
	(Unsecured)			
	Considered good	29,390	22,657	15,590
	Considered doubtful	455	807	2,966
		29,845	23,464	18,556
	Less: Allowance for doubtful debts (Refer Note 32)	(455)	(807)	(2,966)
		29,390	22,657	15,590
	Receivables from related parties [Refer note 37(c)]			
	Considered good	215	483	920
	Total trade receivables	**29,605**	**23,140**	**16,510**
12.1	**Cash and cash equivalents**			
	Balances with banks			
	In current accounts	47	39	1,649
	In EEFC accounts	-	-	8
	Cheques on hand	392	7	162
	Cash on hand	-	2	2
	Total cash and cash equivalents	**439**	**48**	**1,821**
12.2	**Bank balances other than cash and cash equivalents**			
	In unpaid dividend accounts	12	14	17
	In unpaid public deposit accounts [refer note (a) below]	18	32	269
	Bank deposits due to mature within 12 months from the reporting date	54	33	69
	Total bank balances other than cash and cash equivalents	**84**	**79**	**355**

Note:

(a) includes INR 11 (2016: INR 16; and 2015: INR 215) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits wherein duly discharged deposit receipts were not received from deposit holders.

13.	**Assets classified as held for sale**			
	Investments in United Spirits Nepal Private Limited (Refer Note 49)	66	66	-
	Property, plant and equipment (Refer Note 3.1)	250	-	1
	Total assets classified as held for sale	**316**	**66**	**1**

Description of the facts and circumstances which led to classification as held for sale

The Company has identified certain properties, vehicles etc. as non-core to its operations. These planned assets are readily available for sale and an active programme to locate the buyer and complete the sale has been initiated by the management.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
14.	**Equity Share capital**			
	Authorised			
	548,000,000 (2016: 548,000,000 ; 2015: 395,000,000) Equity Shares of INR 10/- each	5,480	5,480	3,950
	159,200,000 (2016: 159,200,000; 2015: 159,200,000) Preference Shares of INR 10/- each	1,592	1,592	1,592
	1,200,000 (2016: 1,200,000; 2015: Nil) 7% Non Cumulative Redeemable Preference Shares of INR 100/- each	120	120	-
		7,192	**7,192**	**5,542**
	Issued, subscribed and paid-up			
	145,327,743 (2016: 145,327,743; 2015: 145,327,743) Equity Shares of INR 10/- each fully paid up	1,453	1,453	1,453
		1,453	**1,453**	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2017	No. of Shares	As at March 31, 2016	No. of Shares	As at April 1, 2015
Balance at the beginning of the year	145,327,743	1,453	145,327,743	1,453	145,327,743	1,453
Add: Equity shares issued during the year	-	-	-	-	-	-
Balance at the end of the year	**145,327,743**	**1,453**	**145,327,743**	**1,453**	**145,327,743**	**1,453**

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of INR 10 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by the holding company and its subsidiaries / associates are as below:

	No. of Shares	**As at March 31, 2017**	No. of Shares	As at March 31, 2016	No. of Shares	As at April 1, 2015
Relay B V (wholly owned subsidiary of Diageo Plc) *	79,612,346	796	79,612,346	796	79,612,346	796
	79,612,346	**796**	**79,612,346**	**796**	**79,612,346**	**796**

* On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo Plc. setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares in the Company to Relay B V (included above), pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo Plc. have approached the Honorable Supreme Court by way of special leave petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Relay B V.

All amounts in INR Million

(d) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

(e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	No. of Shares	**% of Holding**	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B V	79,612,346	54.78%	79,612,346	54.78%	79,612,346	54.78%

(f) During the financial year 2005 – 06, the Company had issued 17,502,762 Global Depository Shares (GDSs) representing 8,751,381 equity shares with 2 GDSs representing 1 equity share of face value of Rs. 10/- each at US$ 7.4274 per GDS, aggregating to US$ 130 million, listed on the Luxembourg stock exchange. These GDSs did not carry any voting rights. The Company during the year has terminated the deposit agreement in respect of the GDSs and has communicated to the Luxembourg Stock Exchange with the objective of delisting these GDSs listed with Luxembourg stock exchange. There are no GDS outstanding as at March 31, 2017. Notwithstanding this development, the number of shares outstanding or issued and subscribed in the share capital of the Company remains unchanged and the Company's shares continue to be listed with the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

(g) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

(h) There are no bonus shares issued, bought back during the period of five years immediately preceding the reporting date.

(i) Details of shares in the Company held by Company, subsidiaries or associates

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	No. of Shares	**% of Holding**	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit Trust (refer Note 4.2)	3,459,090	2.38%	3,459,090	2.38%	3,459,090	2.38%

15.1 Reserves and surplus

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Capital reserve arising from common control transaction	683	683	683
Capital redemption reserve	699	699	699
Securities premium account	45,682	45,682	45,682
Central subsidy	2	2	2
Contingency reserve	110	110	110
General reserve	11,033	11,033	11,033
Share based incentive reserve	40	-	-
Retained Earnings	(40,324)	(42,590)	(52,244)
	17,925	**15,619**	**5,965**

15.2 Other reserves

FVOCI - Equity Instruments	-	68	8,417
	-	**68**	**8,417**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

16. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Non-current						
Secured						
Term loans from banks	March 3, 2017	Single repayment at the end of the term	10.85%	-	5,000	5,000
Finance lease obligations [refer Note 40(a) and Note (a) below]	2015 - 2020	Monthly installments	3% - 10%	135	100	109
Unsecured						
Term loans from banks	January 5, 2018	Single repayment at the end of the term of each loan	MCLR + 20bps (presently 7.9%)	3,500	3,500	3,500
	June 29, 2018			3,500	3,500	-
	March 3, 2020			5,000	-	-
	September 9, 2016	Repayable in 2 equal instalments	11.5%	-	-	3,791
				12,135	**12,100**	**12,400**
Less: Current maturities on long term borrowings (refer Note 17)						
Term loan from banks				-	5,000	-
Finance lease obligation				66	43	34
Unsecured						
Term loan from banks				3,500	-	1,896
Total non-current borrowings				**8,569**	**7,057**	**10,470**
Current						
Secured						
Loans repayable on demand						
Working capital loans from banks [refer note (b) below]	Payable on demand	Payable on demand	7.9%	3,099	6,291	15,913
Others						
Term loans from banks [refer note (b) below]	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9%	4,750	6,650	4,800
Unsecured						
Term loans from banks	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9% - 7.95%	3,500	12,250	13,000
Term loans from others	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9% - 8%	4,750	4,750	2,500
Commercial papers issued to banks and others	May 2017 - November 2017	Single repayment at the end of the term of each commercial paper	6.7% - 7.1%	12,173	-	-
Total current borrowings				**28,272**	**29,941**	**36,213**

Notes:

Secured borrowings and assets pledged as security

a) Finance lease obligations are secured by assets underlying the finance lease [refer Note 40(a)]

b) Working capital loans and certain short term loans are secured by hypothecation of inventories (excluding maturation stock held by third party in UK) and book debts.

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 34.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
17.	**Other financial liabilities**			
	Non-current			
	Capital creditors	-	84	251
	Total other non-current financial liabilities	**-**	**84**	**251**
	Current			
	Current maturities of			
	Borrowings (Refer Note 16)	3,500	5,000	1,896
	Finance lease obligation (Refer Note 16)	66	43	34
	Interest accrued but not due	-	8	27
	Unpaid / unclaimed dividends*	12	14	17
	Unpaid / unclaimed debentures*	0	0	0
	Unpaid / unclaimed public deposits (Including accrued interest)**	18	32	259
	Others			
	Security deposits	137	175	188
	Liability for customer claims (refer Note 47)	3,280	250	-
	Due to tie-up manufacturing units [refer Note 38(a)]	905	578	417
	Capital creditors	224	685	426
	Employee payables	1,011	743	612
	Total other current financial liabilities	**9,153**	**7,528**	**3,876**

* Investor Education and Protection Fund (IEPF) shall be credited when due. As at March 31, 2017 no balances were due to be transferred to IEPF.

** Includes unclaimed public deposit of INR 11 (2016: INR 16, 2015: INR 215) in case of which the duly discharged fixed deposit receipts were not received from the deposit holders.

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
18.	**Provisions**			
	Non-Current			
	Employee benefits			
	Shortfall in provident fund trust [refer Note 39(b)]	-	40	97
	Compensated absences [refer Note 39(f)]	389	625	545
	Pension liability [refer Note 39(b)]	16	18	19
	Share appreciation rights (refer Note 35)	17	-	-
	Total non current provisions	**422**	**683**	**661**
	Current			
	Employee benefits			
	Gratuity [refer Note 39(b)]	-	356	553
	Compensated absences [refer Note 39(f)]	107	160	171
	Pension liability [refer Note 39(b)]	2	-	2
	Provision for indirect taxes (refer Note below)	2,431	1,843	1,569
	Provision for onerous contracts (refer Note below)	75	-	-
	Total current provisions	**2,615**	**2,359**	**2,295**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

Note:

Movement in provisions

Description	As at April 1, 2016	Additions	Amounts used	As at March 31, 2017
Indirect taxes	1,843	642	54	**2,431**
Onerous contracts (refer Note 47)	-	75	-	**75**

Description	As at April 1, 2015	Additions	Amounts used	As at March 31, 2016
Indirect taxes	1,569	366	92	**1,843**

Provision is made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
19.	**Trade payables**			
	Trade payables (refer Note 56)	10,726	9,398	8,362
	Dues to related parties [refer Note 37(c)]	1,072	620	354
	Total trade payables	**11,798**	**10,018**	**8,716**
20.	**Other current liabilities**			
	Advances from customers	736	129	435
	Statutory dues	1,922	1,995	1,240
	Liability for excise duty on closing finished goods inventory (net of prepaid excise duty)	1,783	1,514	826
	Total other current liabilities	**4,441**	**3,638**	**2,501**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

	For the year ended March 31, 2017	For the year ended March 31, 2016
21. Revenue from operations		
Sale of products (including excise duty)	252,947	233,107
Income from brand franchise	595	739
Other operating revenue:		
Scrap sales	351	318
Miscellaneous	95	278
Total revenue from operations	**253,988**	**234,442**
22. Other income		
Interest income on financial assets held at amortised cost	152	17
Interest income from loans to subsidiaries carried at cost [Refer Note 37(b)]	50	462
Dividend income from subsidiary company carried at cost [Refer Note 37(b)]	49	16
Dividend income from investments measured at FVPL	1	1
Exchange gain (net)	-	209
Gain on disposal of property, plant and equipment (net)	337	-
Liabilities, provisions or allowances no longer required written back	514	330
Miscellaneous income	8	22
Total other Income	**1,111**	**1,057**
23. Cost of materials consumed		
Raw materials	28,497	30,894
Packing materials	17,845	17,515
Total cost of materials consumed	**46,342**	**48,409**
24. Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening inventory:		
Finished goods	5,457	3,523
Work-in-progress	8,965	8,519
Stock-in-trade	484	19
Total opening balance	**14,906**	**12,061**
Closing inventory:		
Finished goods	5,453	5,457
Work-in-progress	9,200	8,965
Stock-in-trade	510	484
Total closing balance	**15,163**	**14,906**
Increase / (decrease) in excise duty on finished goods (net)	701	886
Total changes in inventories of finished goods, work-in-progress and stock-in-trade	**444**	**(1,959)**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

	For the year ended March 31, 2017	For the year ended March 31, 2016
25. Employee benefits expense		
Salaries, wages and bonus	5,754	5,406
Contribution to provident and other funds [refer Note 39(a)]	206	242
Contribution towards interest shortfall in PF trusts [refer Note 39(b)]	160	175
Gratuity [refer Note 39(b)]	178	145
Share based payment expense (refer Note 35)	57	-
Staff welfare expenses	319	459
Total Employee benefits expense	**6,674**	**6,427**
26. Finance costs		
Interest and finance charges on financial liabilities at amortised cost (borrowings)	3,690	4,469
Total finance costs	**3,690**	**4,469**
27. Other expenses		
Consumption of stores and spares	206	157
Sub-contracting wages	757	782
Power and fuel	273	300
Rent [refer Note 40(b)]	2,064	1,509
Repairs and maintenance:		
Buildings	32	29
Plant and machinery	113	142
Others	273	258
Insurance	90	107
Rates and taxes #	2,158	1,995
Travel and conveyance	430	466
Legal and professional	1,683	947
Auditor remuneration (Refer Note below)	73	41
Freight outwards	2,343	2,230
Royalty	80	68
Trade mark license fees	582	576
Loss on disposal of Property, Plant and Equipment (net)	-	12
Exchange loss (net)	116	-
Remuneration to non-executive directors:		
Sitting fee	7	15
Commission	22	13
Bad debts / advances / deposits written off [net of write back of provision of INR 335 (2016: Nil)]	19	-
Provision for doubtful debts / advances / deposits	43	894
IT and communication expenses	443	332
Administrative expenses	300	326
Distribution costs	1,321	993
Miscellaneous expenses	153	455
Total Other expenses	**13,581**	**12,647**

includes provision for demands in respect of indirect taxes (Refer Note 18)

Note

Auditors' remuneration*		
a) as auditors	30	25
b) for other services	43	10
c) out-of-pocket expenses	-	6
Total payment to auditors	**73**	**41**

* Excluding service tax

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		For the year ended March 31, 2017	For the year ended March 31, 2016
28.	**Exceptional items (net)**		
	(a) Provision towards matters arising consequent to prohibition in the state of Bihar (refer Note 48)	(377)	(107)
	(b) Write down in the value of certain equipment (refer Notes 3.1 and 41)	(217)	-
	(c) Impairment in the value of Investment in subsidiaries (refer Note 36)	(882)	(3,880)
	(d) Allowances for doubtful receivable from related party written back [refer Note 37(b)]	819	2,480
	(e) Customer claim (refer Note 47)	(2,645)	-
	(f) Reversal of provision against claims (refer Note 41)	28	-
	(g) Allowance for doubtful receivables/ advances/ deposits written back (refer Note 41)	370	6,209
	(h) Bad and doubtful advances, deposits and trade receivables written off (refer Note 41)	(358)	(5,666)
	(i) Allowance for doubtful receivable towards sale of Property, Plant and Equipment	-	(316)
	Total Exceptional items (net)	**(3,262)**	**(1,280)**
29.	**Reconciliation of tax expense and accounting profit multiplied by India's tax rate**		
	Profits before income tax expense	2,546	3,155
	Tax at Indian tax rate @ 34.608% (2016: 34.608%)	881	1,092
	Tax effects of amounts which are not deductible / (allowable) in calculating taxable income:		
	- Deduction for investment allowance u/s 32AC	(89)	(37)
	- Non deductible expenses (Donations, CSR etc)	51	8
	- Short Term Capital Gain on Vehicles	20	-
	- Deferred tax credit on indexation benefit	(23)	-
	- Impairment/ provision on investment in subsidiaries and loans and advances (including reversals)	21	485
	- Provision/ write off (including reversals) relating to certain receivables considered exceptional in nature	(16)	(166)
	- Tax relating to earlier years	-	568
	- Others	2	(14)
	Income tax expense as per Statement of Profit and Loss	**847**	**1,936**
30.	**Earnings per share**		
	Nominal value of equity shares (INR)	10/-	10/-
	(a) Profits attributed to equity holders of the Company (INR)	1,699	1,219
	(b) Weighted average number of equity shares used as denominator (Refer Note below)	145,327,743	145,327,743
	(c) Basic and diluted earnings per share (INR)	11.69	8.39

There are no dilutive equity shares in the Company.

Note:

In calculating the weighted average number of outstanding equity shares during the year, Company has not reduced the own shares held by USL Benefit Trust (of which Company is the sole beneficiary), as the investment in the said trust has been accounted under a scheme approved by courts (Refer Note 4.2).

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

31. Fair value measurements:

Financial instruments by category

All amounts in INR Million

Particulars	As at March 31, 2017			As at March 31, 2016			As at April 1, 2015		
	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL
Financial assets (net of allowances)									
Investments									
Equity instruments - (quoted)	-	-	-	68	-	-	8,573	-	-
Mutual funds	-	-	-	-	-	25	-	-	20
Loans	-	124	-	-	903	-	-	951	-
Trade receivables	-	29,605	-	-	23,140	-	-	16,510	-
Cash and cash equivalents	-	439	-	-	48	-	-	1,821	-
Bank balances other than cash and cash equivalents	-	813	-	-	347	-	-	602	-
Other financial assets									
Security deposits	-	355	-	-	480	-	-	478	-
Advances to tie-up manufacturing units	-	881	-	-	1,516	-	-	1,623	-
Interest accrued on loans - related parties	-	783	-	-	783	-	-	1,475	-
Receivable from related parties	-	104	-	-	9	-	-	-	-
Receivable towards sale of Property, plant and equipment	-	72	-	-	-	-	-	871	-
Loans and advances to employees	-	38	-	-	26	-	-	13	-
Other advances	-	77	-	-	679	-	-	1,037	-
Total financial assets	**-**	**33,291**	**-**	**68**	**27,931**	**25**	**8,573**	**25,381**	**20**
Financial liabilities									
Borrowings	-	40,407	-	-	42,041	-	-	48,613	-
Trade payables	-	11,798	-	-	10,018	-	-	8,716	-
Other financial liabilities									
Interest accrued but not due	-	-	-	-	8	-	-	27	-
Unpaid/unclaimed dividends and public deposits	-	30	-	-	46	-	-	276	-
Security deposits	-	137	-	-	175	-	-	188	-
Liability for customer claims	-	3,280	-	-	250	-	-	-	-
Due to tie-up manufacturing units	-	905	-	-	578	-	-	417	-
Capital creditors	-	224	-	-	769	-	-	677	
Employee payables	-	1,011	-	-	743	-	-	612	-
Total financial liabilities	**-**	**57,792**	**-**	**-**	**54,628**	**-**	**-**	**59,526**	**-**

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under Ind AS 109 and all financial instruments measured at fair value fall under Level 1.

31. Fair value measurements *(continued)*

Financial assets measured at fair value - recurring fair value measurements

All amounts in INR Million

	Level 1			
	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Listed equity investments FVOCI	4.1	-	68	8,573
Mutual funds FVPL	4.1	-	25	20
Total financial assets		**-**	**93**	**8,593**

The carrying amounts of trade receivables, deposits and advances, trade payables, borrowings, capital creditors, dues to employees and other parties and cash and cash equivalents are same as their fair values, due to their short-term nature.

An explanation of each level follows is provided below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and mutual funds that have quoted price. The fair value of all equity instruments which are traded on the stock exchanges is valued using the closing price as at the reporting date. The mutual funds are valued using the closing NAV (Net Asset value).

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

32. Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks and financial institutions, trade receivables, derivative financial instruments and financial assets measured at amortised cost	Aging analysis	Diversification of bank deposits and monitoring of credit limits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk — foreign exchange	Future commercial transactions, Financial assets and liabilities not denominated in INR	Cash flow fore-casting, Sensitivity analysis	Forward foreign exchange contracts
Market risk — interest rate	Long-term borrowings at variable rates	Sensitivity analysis of interest rates	Diversified portfolio of fixed and variable interest rate loans
Market risk — security prices	Investments in equity securities	Sensitivity analysis	Continuous monitoring

The Company's risk management is carried out by a central treasury department under policies approved by the Board of Directors. Central treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's other functions. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

32. Financial risk management *(continued)*

All amounts in INR Million

(A) Credit risk

Credit risk arises from cash and cash equivalents, financial assets measured at amortised cost and deposits with banks and financial institutions, as well as credit exposures to trade receivables.

Credit risk management

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to INR 29,605, INR 23,140 and INR 16,510 as of March 31, 2017, March 31, 2016 and April 1, 2015, respectively.

Trade receivables are typically unsecured and are derived from revenue earned from 2 main classes of trade receivables, receivable from sales to government corporations and receivables from sales to private third parties. Receivables from government corporation customers amounted to INR 18,985 and 64% (2016: INR 12,059 and 52%; 2015: INR. 9,286 and 56%) and private customers amounted to INR 10,620 and 36% (2016: INR 11,081 and 48%; 2015: INR 7,224 and 44%), of total trade receivables, respectively, on the reporting date.

Credit risk is managed by the Company through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Company uses an expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account available external and internal credit risk factors such as regulatory developments which may impact the customers' ability to repay, and the Company's historical experience for each of its customers.

At March 31, 2017, the Company was exposed to trade receivables of INR 30,060 (2016: INR 23,947 and 2015: INR 19,476) against which the Company is carrying an expected credit loss allowance of INR 455 as at the year-end (2016: INR 807 and 2015: INR 2,966).

Reconciliation of loss allowance for trade receivables

Particulars	March 31, 2017	March 31, 2016
Balance at the beginning of the year	807	2,966
Loss allowance recognised	162	32
Write offs	(514)	(2,191)
Balance at the year end (Refer Note 11)	**455**	**807**

The Company's financial assets also includes investments, loans, advances and deposits amounting to INR 20,254 (2016: INR 22,555 and 2015: INR 35,462)

The Company actively monitors the performance of each party to whom loans has been advanced, and based on the historical performance and future anticipated cash flows, the ability of the entity to generate sufficient cash flows to service its loan commitments to the Company is assessed. Where the Company believes that the entity will not be able to service its loan commitments over the next 12 months or over the lifetime of the loan, a suitable provision for impairment of the loan receivable is created.

Reconciliation of loss allowance measured at life-time expected credit losses for credit impaired financial assets other than trade receivables

Particulars	March 31, 2017	March 31, 2016
Balance at the beginning of the year	18,066	20,420
Loss allowance recognised	457	181
Write offs (net of write backs)	(703)	(2,535)
Balance at the year end	**17,820**	**18,066**

Significant estimates and judgements in Impairment of financial assets

The impairment provisions for financial assets disclosed above are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

32. Financial risk management *(continued)*

All amounts in INR Million

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. A prudent liquidity risk management is to ensure maintaining the required cash and / or have access to funds required through committed banking lines from banks or markets to address such risks, when they arise.

(i) Company has developed three year 'Capital structure and funding strategy' with an objective to gauge potential risk, project and strategically address funding needs, among others and ensure continued operations within acceptable tolerance limits.

(ii) Treasury team monitors rolling forecasts of the company's liquidity position on a periodic basis. Funds are optimally used through centralised cash management system across the company and deficit if any are availed from the undrawn committed borrowing facilities (as below). Internal stake holders are aligned to provide 'early warning' surprises should they occur, so as to enable treasury to pro-actively align the appropriate source and cost of borrowing to mitigate funding and interest risk (comprising the undrawn borrowing facilities below).

(iii) Management has planned monetisation of certain non-core assets to infuse liquidity and reduce debts, thereby freeing up the banking lines to access in future, if required.

Financing arrangements

The Company had access to the following undrawn borrowing facilities at end of the reporting period:

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Floating rate Expiring within one year (cash credit/ working capital demand loans)	16,170	11,059	3,287

The above facilities may be drawn at any time and repayable on demand. The Company has fully utilized fixed rate borrowing facilities as at the end of each of the reporting periods.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

March 31, 2017

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	21,595	3,681	7,838	4,033	5,593	**42,740**
Obligation under finance lease	18	18	37	46	28	**147**
Trade payables	11,798	-	-	-	-	**11,798**
Other financial liabilities	5,587	-	-	-	-	**5,587**
Total liabilities	**38,998**	**3,699**	**7,875**	**4,079**	**5,621**	**60,272**

March 31, 2016

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	10,779	14,348	11,892	3,999	3,999	**45,017**
Obligation under finance lease	12	12	24	48	13	**109**
Trade payables	10,018	-	-	-	-	**10,018**
Other financial liabilities	2,568	-	-	-	-	**2,568**
Total liabilities	**23,377**	**14,360**	**11,916**	**4,047**	**4,012**	**57,712**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

32. Financial risk management *(continued)*

All amounts in INR Million

April 1, 2015

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	13,840	3,811	25,141	5,570	3,999	52,361
Obligation under finance lease	10	10	21	40	43	124
Trade payables	8,716	-	-	-	-	8,716
Other financial liabilities	2,197	-	-	-	-	2,197
Total liabilities	**24,763**	**3,821**	**25,162**	**5,610**	**4,042**	**63,398**

(C) Cash flow and fair value interest rate risk

Company's main interest rate risk arises from Long-Term borrowings with variable rates, which expose the Company cashflow interest rate risk.

Presently interest rates seems to be bottomed out and the Company expects this to be stable in the near term. In view of this the Company has kept long term borrowings at variable interest rate, however the Company has an option to exit at the end of interest reset period which is one month. This allows flexibility and insulates the Company from adverse movements.

Majority of the Company's short term and long term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and are already fair valued.

The exposure of the Company's borrowings to interest rate changes at the end of reporting period are as follows:

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Variable rate borrowings	40,272	36,941	39,713
Fixed rate borrowings	135	5,100	8,900
Total borrowings	**40,407**	**42,041**	**48,613**

Sensitivity

Profit or loss is sensitive to higher / lower interest expense from borrowings as a result of changes in interest rates.

Interest rates	Impact on Profit after tax	
	Year ended March 31, 2017	Year ended March 31, 2016
Increase by 50 bps	(131)	(102)
Decrease by 50 bps	131	102

(D) Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, EUR and GBP. Foreign Exchange risk arises from future commercial transactions and assets and liabilities denominated in a currency that is not the Company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows.

Foreign currency risk management

The Company's risk management policy is to assess the Company's net exposures which is mainly represented by receivable towards exports and payable towards imports. The Company hedges its net exposures with a view on forex outlook. The Company's overall forex net exposures is not material and given that INR is stable against USD and strengthening against GBP, the Company has kept its exposures presently open. However, the present forex policy is being revised to assess the exposures in a robust and structured manner and align mitigation plan.

32. Financial risk management *(continued)* All amounts in INR Million

Foreign currency risk exposure:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR is as follows:

	As at March 31, 2017			As at March 31, 2016			As at April 1, 2015		
Financial assets	**USD**	**GBP**	**EUR**	**USD**	**GBP**	**EUR**	**USD**	**GBP**	**EUR**
Trade receivables	131	-	-	405	-	-	625	-	-
Non-current loans	-	123	-	-	903	-	-	951	-
Balances in EEFC account	-	-	-	-	-	-	-	8	-
Derivative assets									
Foreign exchange forward contract	-	-	-	(41)	-	-	(39)	-	-
Net Exposure to foreign currency risk (assets)	**131**	**123**	**-**	**364**	**903**	**-**	**586**	**959**	**-**
Financial Liabilities									
Trade payables	106	100	-	257	188	-	38	143	1
Net Exposure to foreign currency risk (liabilities)	**106**	**100**	**-**	**257**	**188**	**-**	**38**	**143**	**1**

Impact on Profit after Tax

The sensitivity of profit or loss due to changes in exchange rates arises mainly from foreign currency denominated net trade exposures. There is no material impact on foreign currency loans given to subsidiaries as they are largely provided for.

Sensitivity - foreign currency

	Year ended March 31, 2017			Year ended March 31, 2016		
	USD	**GBP**	**EUR**	**USD**	**GBP**	**EUR**
Currency increases by 5%	1	1	-	23	(1)	-
Currency decreases by 5%	(1)	(1)	-	(23)	1	-

33. Capital management

Risk management

The Company's objectives when managing capital is to:

a) have a balanced financial profile from short term (1 year) to mid-term (3 years) for sustainable leverage, providing;
- Headroom for future growth / expansion
- Financial flexibility in case of adverse business cycles

b) ensure the capital structure is at competitive advantage when compared to peers and other sector players through optimum debt mix through:
- Diversification of funding sources to manage liquidity and rollover risk
- Financial flexibility in case of adverse business cycles

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Net debt	39,968	41,993	46,792
Total equity	19,378	17,140	15,835
Net debt to equity ratio	**2.06**	**2.45**	**2.95**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

34. Assets pledged as security

All amounts in INR Million

The carrying amounts of assets pledged as security for current and non-current borrowings are as follows:

Current	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial assets				
Floating charge				
Investments	4.1	-	11	11
Trade receivables	11	29,605	23,140	16,510
Cash and cash equivalents	12.1	439	48	1,821
Bank balances other than cash and cash equivalents	12.2	54	33	69
Other financial assets	6	1,729	3,235	5,305
Non-financial assets				
Floating charge				
Inventories	10	14,514	14,728	12,386
Other current assets (excluding taxes paid in advance)	9	3,518	2,062	2,061
Non-current assets				
Plant and equipment	3.1	-	5,000	5,000
Total assets pledged as security		**49,859**	**48,257**	**43,163**

Further the following assets (not included in the above table) have been pledged with a bank with whom the Company is involved in litigation (Refer Note 46)

Non-current	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
First charge				
Freehold land	3.1	1,198	1,198	1,198
Freehold building	3.1	856	658	505
Lease hold land	3.1	40	61	61
Plant and equipment	3.1	779	732	432
Investments as a sole beneficiary in USL benefit trust	4.1	1,197	1,197	1,197
Certain brands of the Company		-	-	-
Total Non-current assets pledged as security		**4,070**	**3,846**	**3,393**

35. Share based payments

Diageo Incentive Plan (DIP)

DIP is a one-time long term incentive scheme for select employees who were active on Company's payroll on September 1, 2016. A single grant was made in September 2016 with zero pay out for any leaver prior to vesting in September 2019 (vesting period – 3 years). Diageo Plc.'s share options (one option equivalent to one share) were granted to such employees as a percentage of salary. Vesting is subject to conditions such as continuity of employment, Diageo's productivity and NSV growth and individual's net promoter score. As at March 31, 2017 such outstanding share options were 97,904 (2016: Nil) and the charge recorded for the current year included in employee benefit expense was INR 40 (2016: Nil) (Refer Note 25). The carrying amount of liability of INR 40 has been included in other equity (Refer Note 15).

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employee reward to Company's share price performance. Under this plan, Company grants stock appreciation rights (based on USL share price) to select employees. The grant is made in September every year, as a percentage of salary. Cash pay-out equivalent to the value of shares will be made at the end of three years from the date of grant (the vesting period).

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

35. Share based payments *(continued)*

All amounts in INR Million

The fair value of the SARs was determined using the Black-Scholes model using the following inputs at the grant date and as at March 31, 2017:

	As at March 31, 2017
Number of share appreciation rights outstanding	47,445
Share price at measurement date (INR per share)	2,313
Expected volatility (%)	10.83
Dividend yield (%)	-
Risk-free interest rate (%)	6.69
Carrying amount of liability — included in non-current provision for employee benefits(Refer Note 18)	17
Expenses recorded for the year under Employee benefits expense	17

There were no SARs granted in prior years and none of the SARs has vested as at March 31, 2017.

36. Impairment of investment in subsidiaries

The Company has performed an assessment for impairment of its investment in subsidiaries owing to continuing losses incurred by subsidiaries and decline in the value of underlying net assets held by these subsidiaries, based on which company has recognised/ reversed impairment charge in its investments in Asian Opportunities Investments Limited (AOIL), Four Seasons Wines Limited (FSWL), Sovereign Distilleries Limited (SDL), Pioneer Distilleries Limited (PDL) and Tern Distilleries Limited (TDL).

The Company has determined recoverable values of its investments as fair value, less cost of disposal. Company has used the 'cost approach' valuation technique for determining fair value of its investment in subsidiaries using Level 3 inputs. An analysis of investments in subsidiaries where impairment charge/ reversal has been recognised, is provided below:

For the year ended March 31, 2017	AOIL	FSWL	SDL	PDL	TDL	Total
Carrying amount of investments (Gross)						
Investments in equity / preference shares	-	225	4,267	-	987	
Loans considered deemed investment	213	667	5	1,354	9	
Total	**213**	**892**	**4,272**	**1,354**	**996**	
Recoverable amount	-	406	1,114	1,160	394	
Shortfall in recoverable amount over carrying value	213	486	3,158	194	602	
Impairment allowance recognized in earlier years	255	350	2,681	-	527	**3,813**
Impairment allowance recognized / (reversed) in current year	-	136	477	194	75	**882**
Impairment allowance recognized / (reversed) under exchange differences	(42)	**-**	**-**	**-**	**-**	**(42)**
Closing impairment allowance	**213**	**486**	**3,158**	**194**	**602**	**4,653**

For the year ended March 31, 2016	AOIL	FSWL	SDL	PDL	TDL	Total
Carrying amount of investments						
Investments in equity	-	225	4,267	-	987	
Loans considered deemed investment	255	624	-	1,354	-	
Total	**255**	**849**	**4,267**	**1,354**	**987**	
Recoverable amount	-	499	1,586	1,354	460	
Shortfall in recoverable amount over carrying value	255	350	2,681	-	527	**3,813**
Impairment allowance recognized in current year	255	350	2,681	-	527	**3,813**
Closing impairment allowance	**255**	**350**	**2,681**	**-**	**527**	**3,813**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

36. Impairment of investment in subsidiaries *(continued)*

All amounts in INR Million

Sensitivity analysis

The below table summarises the impact of increases/ decreases in fair values of property, plant and equipment included in determining the recoverable amounts of Company's investment in subsidiaries:

Key underlying values	Impact on impairment decrease / (increase)	
	Year ended March 31, 2017	Year ended March 31, 2016
Change in fair value by:		
+ 5%	235	206
- 5%	(235)	(206)

37. Related party disclosures

(a) Names of related parties and description of relationship

(i) **Parent entities**

- Diageo Plc. (Ultimate Holding company)
- Relay B V (Holding company)

Pursuant to settlement agreement entered on February 25, 2016 with Dr. Vijay Mallya, erstwhile Chairman and non -executive director and the parties mentioned below have not be considered as related parties post the settlement date [Refer Note 43 and 58(a)].

- United Breweries (Holdings) Limited
- Kingfisher Finvest India Limited
- City Properties Maintenance Company Bangalore Limited
- United Breweries Limited

(ii) **Subsidiaries**

Name of the Subsidiary	% of ownership interest	Country of Incorporation
• Asian Opportunities and Investments Limited (AOIL)	100	Mauritius
• United Spirits Nepal Private Limited (USNPL)	82.47	Nepal
• Palmer Investment Group Limited (PIG)	100	British Virgin Islands
• Tern Distilleries Private Limited (Tern)	100	India
• Shaw Wallace Overseas Limited (SWOL)	100	U.K.
• UB Sports Management Overseas Limited	100	Jersey Islands
• Montrose International S.A (MI)	100	Panama
• USL Holdings Limited (UHL)	100	British Virgin Islands
• USL Holdings (UK) Limited (UHUKL)	100	U.K.
• United Spirits (UK) Limited (USUKL)	100	U.K.
• United Spirits (Great Britain) Limited (USGBL)	100	U.K.
• Four Seasons Wines Limited (FSWL)	100	India
• McDowell & Co. (Scotland) Limited (MSL)	100	Scotland
• Royal Challengers Sports Private Limited	100	India
• Liquidity Inc.	51	USA
• United Spirits (Shanghai) Trading Company Limited	100	China
• Sovereign Distilleries Limited	100	India

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

37. Related party disclosures *(continued)*

Name of the Subsidiary	% of ownership interest	Country of Incorporation
• Pioneer Distilleries Limited	75	India
• United Spirits Singapore Trading Pte Ltd	100	Singapore
• Bouvet Ladubay S.A.S $	100	France
• Chapin Landais S.A.S $	100	France

$ Bouvet Ladubay S.A.S and Chapin Landais S.A.S ceased to be subsidiaries effective from November 18, 2015.

(iii) **Fellow subsidiaries**

- Diageo Scotland Limited
- Diageo India Private Limited
- Diageo Brands BV
- Diageo Vietnam Limited
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Pte Limited
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Limited
- UDV Kenya Limited
- Diageo Business Services India Private Limited

(iv) **Entity where there is control**

- USL Benefits Trust

(v) **Employees' Benefit Plans :**

- McDowell & Company Limited Staff Gratuity Fund (McD SGF)
- McDowell & Company Limited Officers' Gratuity Fund (McD OGF)
- Phipson & Company Limited Management Staff Gratuity Fund (PCL SGF)
- Phipson & Company Limited Gratuity Fund (PCL GF)
- Carew & Company Limited Gratuity Fund (CCL GF)
- McDowell & Company Limited Provident Fund (McD PF)
- Shaw Wallace & Associated Companies Employees Gratuity Fund (SWCEGF)
- Shaw Wallace & Associated Companies Executive Staff Fund (SWCSGF)
- Shaw Wallace & Co. Associated Companies Provident Fund (SWCPF)
- United Spirits Superannuation Fund (with effect from 15 June 2015)

Refer note 39 for information on transactions with post-employment benefit plans mentioned above.

(vi) **Key management personnel**

Non-executive directors

- Mahendra Kumar Sharma
- Indu Ranjit Shahani
- Rajiv Gupta
- Sivanandhan Dhanushkodi
- Nicholas Bodo Blazquez (till January 21, 2017)
- Vegulaparanam Viswanathan (w.e.f October 16, 2016)
- John Thomas Kennedy (w.e.f August 17, 2016)

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

37. Related party disclosures *(continued)*

All amounts in INR Million

- Randall David Ingber (w.e.f February 2, 2017)
- Vinod Rao (w.e.f May 24, 2016)
- Ravi Rajagopal (till October 13, 2016)
- Vijay Mallya (till February 25, 2016)

Executive directors

- Anand Kripalu (Managing Director & Chief Executive Officer)
- Sanjeev Churiwala (Chief Financial Officer) (w.e.f. April 1, 2017)
- P A Murali (Chief Financial Officer) (till April 22, 2015)

37. (b) Summary of the transactions with related parties

	For the year ended March 31,2017	For the year ended March 31,2016
Sale of products (including excise duty) to		
Subsidiaries		
United Spirits Nepal Private Limited	272	94
Pioneer Distilleries Limited	21	6
United Spirits Singapore Trading Pte Ltd	976	838
Fellow subsidiaries		
Guinness Nigeria Limited	24	-
Total - Sale of products	**1,293**	**938**
Purchase of traded goods		
Subsidiaries		
Four Seasons Wines Limited	84	117
Tern Distilleries Private Limited	-	46
Fellow subsidiaries		
Diageo Brands BV	1,264	1,255
Diageo Singapore Supply Pte Limited	14	60
Diageo India Private Limited	-	71
Total - Purchase of traded goods	**1,362**	**1,549**
Purchase of materials		
Fellow subsidiaries		
Diageo Brands BV	796	202
Subsidiaries		
Pioneer Distilleries Limited	520	517
Total - Purchase of materials	**1,316**	**719**
Goods manufactured on behalf of the company by subsidiary (as tie-up manufacturing unit) including excise duty and included in cost of materials)		
Pioneer Distilleries Limited	5,707	2,803
Loans advanced (including deemed investments) to		
Subsidiaries		
Sovereign Distilleries Limited	5	91
Four Seasons Wines Limited	89	89
Royal Challengers Sports Private Limited	835	565
Tern Distilleries Private Limited	9	34
McDowell & Co (Scotland) Limited	-	19
Total - Loans advanced	**938**	**798**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

37. (b) Summary of the transactions with related parties *(continued)*

All amounts in INR Million

	For the year ended March 31,2017	For the year ended March 31,2016
Loans repaid (including deemed investments) by		
Subsidiaries		
Royal Challengers Sports Private Limited	460	-
USL Holdings Limited	689	-
Four Seasons Wines Limited	46	-
Tern Distilleries Private Limited	-	767
Asian Opportunities & Investments Limited	-	1,434
Sovereign Distilleries Limited	-	3,399
Total - Loans repaid	**1,195**	**5,600**
Allowances against loans made (including on deemed investments)		
Subsidiaries		
Tern Distilleries Private Limited	75	527
Sovereign Distilleries Limited	477	2,681
USL Holdings Limited	-	198
Asian Opportunities & Investments Limited	-	124
Four Seasons Wines Limited	136	350
Pioneer Distilleries Limited	194	-
Total – allowances made [Refer Note 28(c)]	**882**	**3,880**
Allowances reversed		
On Receivables from subsidiaries		
Pioneer Distilleries Limited	819	-
Loans to subsidiaries (including deemed investment)		
Tern Distilleries Private Limited	-	272
Sovereign Distilleries Limited	-	2,208
Total - allowances reversed [Refer Note 28(d)]	**819**	**2,480**
Royalty and brand franchise expense / (income)		
Subsidiaries		
United Spirits Nepal Private Limited	(65)	(50)
Four Seasons Wines Limited	(3)	(3)
Fellow subsidiaries		
Diageo Scotland Limited	3	2
Diageo North America Inc.	77	66
Total - Royalty and brand franchise expense / (income), net	**12**	**15**
Trade mark license fees		
Entities having significant influence over the Company		
United Breweries (Holdings) Limited	-	576

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

37. (b) Summary of the transactions with related parties *(continued)*

All amounts in INR Million

	For the year ended March 31,2017	For the year ended March 31,2016
Reimbursement of expenses paid		
Parent		
Diageo Plc.	-	85
Subsidiaries		
Sovereign Distilleries Limited	2	-
Pioneer Distilleries Limited	-	21
United Spirits Singapore Trading Pte Ltd	8	119
Fellow subsidiaries		
Diageo India Private Limited	-	82
Diageo Australia Limited	25	33
Diageo Singapore Pte Limited	-	7
Diageo Brands BV	1	-
Diageo North America Inc	31	-
Diageo Great Britain Limited	1	14
Total- reimbursement of expenses paid	**68**	**361**
Indemnification settlement receivable from parent		
Diageo Plc.	75	-
Guarantee given		
Subsidiaries		
Pioneer Distilleries Limited	1,000	-
Guarantee expired		
Subsidiaries		
Pioneer Distilleries Limited	934	-
Reimbursement of expenses received		
Parent		
Diageo Plc.	32	20
Relay B V	-	1
Subsidiaries		
Pioneer Distilleries Limited	3	-
Four Seasons Wines Limited	-	1
Entities having significant influence over the Company		
United Breweries Limited	-	22
Fellow subsidiaries		
Diageo Great Britain Limited	7	20
Diageo Brands BV	8	-
Diageo Scotland Limited	115	16
Diageo Vietnam Limited	-	17
Guinness Nigeria Limited	5	-
Total - Reimbursement of expenses received	**170**	**97**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

37. (b) Summary of the transactions with related parties *(continued)*

	For the year ended March 31,2017	For the year ended March 31,2016
Income from Agency commission		
Fellow subsidiaries		
Diageo India Private Limited	-	12
Dividend received from subsidiary		
United Spirits Nepal Private Limited (Refer Note 22)	49	16
Assignment of receivables in favour of the Company from fellow subsidiary		
Diageo India Private Limited	3	62
Interest income from subsidiaries		
Royal Challengers Sports Private Limited	27	28
Pioneer Distilleries Limited	14	16
Four Seasons Wines Limited	7	8
McDowell & Co. (Scotland) Limited	2	2
Sovereign Distilleries Limited	-	337
Tern Distilleries Private Limited	-	71
Total - Interest income from subsidiaries (Refer Note 22)	**50**	**462**
Guarantee Commission income from subsidiary		
Pioneer Distilleries Limited	3	-
Guarantee / security commission paid to		
Entities having significant influence over the Company		
United Breweries (Holdings) Limited	-	6

	For the year ended March 31,2017	For the year ended March 31,2016
Purchase of fixed assets from fellow subsidiary		
Diageo India Private Limited	-	61
Payment for house keeping and security services		
Entities having significant influence over the Company		
City Properties Maintenance Company Bangalore Limited	-	47

37. (c) Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Loans outstanding			
Principal amount (Refer Note 5)			
Subsidiaries			
USL Holdings Limited	2,787	3,399	3,158
Entities having significant influence over the Company			
United Breweries (Holdings) Limited	-	13,972	14,220

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

37. (c) Summary of closing balances with related parties *(continued)*

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Interest accrued			
Subsidiaries			
Royal Challengers Sports Private Limited	313	313	313
Asian Opportunities & Investments Limited	-	-	2
Pioneer Distilleries Limited	377	377	377
Four Seasons Wines Limited	110	110	110
McDowell & Co. (Scotland) Limited	4	4	-
Sovereign Distilleries Limited	4	4	554
Tern Distilleries Private Limited	-	-	144
USL Holdings Limited	101	101	101
Total interest accrued on loans to related parties (Refer Note 6)	**909**	**909**	**1,601**
Allowance for interest accrued			
Subsidiaries			
USL Holdings Limited	101	101	101
Four Seasons Wines Limited	25	25	25
Total allowance for interest accrued (Refer Note 6)	**126**	**126**	**126**
Receivables from related parties			
Parent			
Diageo Plc	80	2	-
Fellow subsidiaries			
Diageo Scotland Limited	24	5	-
Diageo Great Britain Limited	-	1	-
Diageo Vietnam Limited	-	1	-
Total (Refer note 6)	**104**	**9**	**-**
Subsidiaries			
Pioneer Distilleries Limited	1,324	1,400	1,481
Four Seasons Wines Limited	18	-	2
Total (Refer note 9)	**1,342**	**1,400**	**1,483**
Fellow subsidiaries			
Guinness Nigeria Limited	7	-	
Diageo India Private Limited	-	-	88
Subsidiaries			
United Spirits Nepal Private Limited	84	78	109
United Spirits Singapore Pte Limited	123	405	723
Total (Refer note 11)	**215**	**483**	**920**
Allowance at the year end for			
Loans (Refer Note 5)			
Subsidiaries			
USL Holdings Limited	2,663	2,496	2,207
Trade advances (Refer Note 9)			
Entities having significant influence over the Company			
United Breweries (Holdings) Limited	-	13,972	14,220
Subsidiaries			
Pioneer Distilleries Limited	-	819	819

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

37. (c) Summary of closing balances with related parties *(continued)*

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Payable to related parties			
Subsidiaries			
United Spirits Singapore Trading Pte Ltd	87	243	99
Sovereign Distilleries Limited	-	1	-
Four Seasons Wines Limited	-	11	-
Fellow subsidiaries			
Diageo Brands BV	937	254	255
Diageo India Private Limited	5	43	-
Diageo Great Britain Limited	5	-	-
Diageo Australia Limited	3	29	-
Diageo North America Inc.	20	18	-
Diageo Singapore Supply Pte Limited	15	17	-
Diageo Singapore Pte Limited	-	4	-
Total trade payables to related parties (Refer Note 19)	**1,072**	**620**	**354**
Guarantees given and outstanding			
Pioneer Distilleries Limited	1,000	934	934

37. (d) Key management personnel compensation

	For the year ended March 31, 2017	For the year ended March 31, 2016
Remuneration	123	146
Long-term employee benefits	-	-
Employee share-based payments	5	-
Rent	-	1
Total compensation	**128**	**147**
Other payments:		
Sitting fee	7	15
Commission	22	13

37. (e) General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

Loans to subsidiaries which are generally for an indefinite period or for a period of three years with an option to roll-over based on mutually agreed terms. Interest rates range from nil to 12%. All loans to related parties are unsecured. Further,the Company has granted loans to certain subsidiaries, in substance, these loans form part of the Company's net investment in the subsidiary, as the settlement of these loans is neither planned nor likely to occur in the foreseeable future and the management intends to convert these loans into investment in equity of the respective subsidiary in near future.

The Company has not recognised interest amounting to INR 431 during the year (2016: INR 479) on loans to certain subsidiaries as recoverability of interest is not reasonably certain. Aggregate of amounts of such unrecognised interest as at year end is INR 910 (2016: INR 479, 2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

38. Offsetting of financial assets and financial liabilities

The following table presents the recognised financial instruments that are offset, as at March 31, 2017, March 31, 2016 and April 1, 2015:

March 31, 2017	**Effect of offsetting on the balance**		
	Gross amounts	**Set offs effected**	**Net amounts presented in the balance sheet**
Financial assets			
Trade receivables	30,768	(1,163)	29,605
Cash and cash equivalents	510	(71)	439
Other current financial assets	1,809	(80)	1,729
Total	**33,087**	**(1,314)**	**31,773**
Financial liabilities			
Trade payables	12,224	(426)	11,798
Other current liabilities	10,041	(888)	9,153
Total	**22,265**	**(1,314)**	**20,951**

March 31, 2016	**Effect of offsetting on the balance**		
	Gross amounts	**Set offs effected**	**Net amounts presented in the balance sheet**
Financial assets			
Trade receivables	25,201	(2,061)	23,140
Cash and cash equivalents	291	(243)	48
Other current financial assets	3,318	(83)	3,235
Total	**28,810**	**(2,387)**	**26,423**
Financial liabilities			
Trade payables	11,761	(1,743)	10,018
Other current liabilities	8,172	(644)	7,528
Total	**19,933**	**(2,387)**	**17,546**

April 1, 2015	**Effect of offsetting on the balance**		
	Gross amounts	**Set offs effected**	**Net amounts presented in the balance sheet**
Financial assets			
Trade receivables	18,224	(1,714)	16,510
Cash and cash equivalents	1,922	(101)	1,821
Other current financial assets	5,443	(138)	5,305
Total	**25,589**	**(1,953)**	**23,636**
Financial liabilities			
Trade payables	10,234	(1,518)	8,716
Other current liabilities	4,311	(435)	3,876
Total	**14,545**	**(1,953)**	**12,592**

All amounts in INR Million

38. Offsetting of financial assets and financial liabilities *(continued)*

Nature of offsetting arrangements

(a) The Company provides working capital support to certain tie-up manufacturers (TMUs), who are responsible for manufacturing and distribution of certain products on behalf of the Company. The aforesaid working capital is represented by inventories, trade receivables, other financial assets and other financial liabilities. The Company has reported net working capital excluding inventory as other financial assets /liability (net) in lieu of working capital exposure to TMUs, as these amounts are expected to be settled on net basis.

(b) The Company gives volume based rebates to certain customers. As a practice amounts payable by Company are offset against receivables from such customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

39. (a) Defined contribution plans

The Company contributes to defined contribution plans for employee such as Provident Fund (PF), Employees' Pension Scheme (EPS), Superannuation Fund (SF), Death benefit plan and Employees' State Insurance (ESI). PF and EPS cover substantially all regular employees while the SF covers certain executives and ESI covers eligible employees. Contribution to SF is made to United Spirits Superannuation Fund ('USSF'). Other contributions are made to the Government funds or insurance companies. While both the employees and the Company pay predetermined contributions into the Provident Fund and the ESI Scheme, contributions into the pension fund, death relief fund and the superannuation fund are made only by the Company. The contributions are normally based on a certain percentage of the employee's salary.

During the year, the Company has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds in the employee benefits expense.

	For the year ended March 31, 2017	For the year ended March 31, 2016
Provident fund and employee's pension scheme*	105	114
Superannuation fund	74	107
Employees' state insurance	6	7
Death benefit	10	10
National pension scheme	11	4
Total (Refer Note 25)	**206**	**242**

* Excluding contribution to PF made to trusts which are in the nature of defined benefit plans managed by the Company.

(b) Defined benefit plans

Gratuity:

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employees' gratuity funds managed by the Company as well as by Insurance Companies.

Pension:

The Company operates a defined benefit pension plan for certain executives and workers of the Company. This plan is final salary pension plan, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on their salary in the final year leading up to retirement.

Provident fund:

For certain executives and workers of the Company, contributions are made as per applicable Indian laws towards Provident Fund to certain Trusts set up and managed by the Company, where the Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Company. Having regard to the assets of the Fund and the return on the investments, shortfall if any, in the assured rate of interest notified by the Government, which the Company is obliged to make good is determined actuarially.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

39. (b) Defined benefit plans *(continued)*

Funded Gratuity and Provident Fund

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	As at March 31, 2017		As at March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
Obligation at the beginning of the year	2,180	2,455	2,093	2,291
Current service cost	166	161	147	171
Interest Cost	154	111	148	106
Benefit payments from plan assets	(456)	(545)	(384)	(449)
Participant contributions	-	380	-	321
Actuarial (Gain) / Loss - Financial assumption changes	(322)	132	-	15
Actuarial (Gain) / Loss – Experience adjustments	(258)	-	176	-
Obligation at the end of the year	**1,464**	**2,694**	**2,180**	**2,455**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

	As at March 31, 2017		As at March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
Plan Assets at the beginning of the year	1,824	2,415	1,540	2,194
Adjustment for opening fair value	-	-	6	13
Contribution by plan participants	-	380	-	320
Contribution by the Company	357	161	550	171
Expected return on plan assets	142	112	151	102
Actuarial gains / (losses)	71	222	(39)	64
Benefits paid	(457)	(544)	(384)	(449)
Plan assets at the end of the year	**1,937**	**2,746**	**1,824**	**2,415**

C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet at the end of the year:

	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Gratuity	Provident fund	Gratuity	Provident fund	Gratuity	Provident fund
Present value of obligation	1,464	2,694	2,180	2,455	2,093	2,291
Fair value of plan assets	1,937	2,746	1,824	2,415	1,540	2,194
Asset ceiling	-	52	-	-	-	-
Liability/ (asset) recognised in Balance sheet (Refer Notes 18 and 9)	**(473)**	**-**	**356**	**40**	**553**	**97**

D. Expenses recognised in the statement of profit and loss:

	For the year ended March 31, 2017		For the year ended March 31, 2016	
	Gratuity	Pension fund	Gratuity	Pension fund
Current service cost	166	161	147	171
a. Interest expense on DBO	154	111	148	106
b. Interest (income) on plan assets	(142)	(112)	(150)	(102)
Net interest cost	12	(1)	(2)	4
Defined benefit cost (Refer Note 25)	**178**	**160**	**145**	**175**

All amounts in INR Million

39. (b) Defined benefit plans *(continued)*

E. Re-measurement effects recognized in other comprehensive income (OCI):

	For the year ended March 31, 2017		For the year ended March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
a. Actuarial (Gain) / Loss due to Financial Assumption changes in DBO	(320)	-	-	-
b. Actuarial (Gain) / Loss due to Experience on DBO	(258)	132	176	15
c. Return on Plan Assets (Greater) / Less than Discount rate	(71)	(221)	38	(64)
Total Actuarial (Gain)/Loss included in OCI	**(649)**	**(89)**	**214**	**(49)**

F. Total Cost Recognised in Comprehensive Income:

	For the year ended March 31, 2017		For the year ended March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
Expense recognised in P&L	178	160	145	175
Remeasurements Effects Recognised in OCI	(649)	(89)	214	(49)
Total Cost Recognised in Comprehensive Income	**(471)**	**71**	**359**	**126**

G. Investment details of plan assets:

	As at March 31, 2017		As at March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	17%	-	17%
Private sector bonds	-	5%	-	5%
Public sector / financial institutional bonds	-	68%	-	68%
Special deposit scheme	-	5%	-	5%
Fund balance with insurance company	99%	-	99%	-
Others (including bank balances)	1%	5%	1%	5%
	100%	**100%**	**100%**	**100%**

H. Assumptions:

	As at March 31, 2017		As at March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
Discount rate (per annum)	6.90%	7.10%	7.80%	7.80%
Expected rate of return on plan assets	9.25%	7.70%	9.25%	8.33%
Rate of increase in compensation levels	10.00%	NA	15.00%	NA
Attrition rate	13.20%	13.20%	13.20%	13.20%
Average past service of employees (years)	13.01	NA	13.00	NA
Mortality rates	IALM (2006-08) Ultimate table	IALM (2006-08) Ultimate table	IALM (2006-08) Ultimate table	IALM (2006-08) Ultimate table

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

39. (b) Defined benefit plans *(continued)*

Non-funded Pension

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	As at March 31, 2017	As at March 31, 2016
Obligation at the beginning of the year	18	21
Adjustment to opening obligation	-	-
Contribution by plan participants	-	-
Current service cost	-	-
Interest cost	1	2
Actuarial (gain) / loss on obligations	3	(5)
Benefits paid	(4)	-
Obligation at the end of the year	**18**	**18**

B. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet

	As at March 31, 2017	As at March 31, 2016
Present value of obligation at the end of the year	18	18
Fair value of plan assets at the end of the year	-	-
Liability / (net asset) recognised in Balance sheet (Refer Note 18)	18	18
Current	2	-
Non-current	**16**	**18**

C. Expenses recognised in the Statement of profit and loss

	For the year ended March 31, 2017	For the year ended March 31, 2016
Current service cost	-	-
Interest cost	1	1
Expected return on plan assets	-	-
Actuarial (gains) / losses	-	-
Total expenses recognised in the Employee benefits expense in the Statement of profit and loss	**1**	**1**

D. Remeasurement effects recognized in Other Comprehensive Income (OCI)

	For the year ended March 31, 2017	For the year ended March 31, 2016
a. Actuarial (Gain) / Loss due to Demographic Assumption changes in DBO	-	
b. Actuarial (Gain) / Loss due to Financial Assumption changes in DBO	-	
c. Actuarial (Gain) / Loss due to Experience on DBO	3	(4)
d. Return on Plan Assets (Greater) / Less than Discount rate		
Total Actuarial (Gain)/Loss included in OCI	**3**	**(4)**

39. (b) Defined benefit plans *(continued)* All amounts in INR Million

E. Total Cost Recognised in Comprehensive Income

	For the year ended March 31, 2017	For the year ended March 31, 2016
Cost Recognised in P&L	1	1
Remeasurements Effects Recognised in OCI	3	(4)
Total Cost Recognised in Comperhensive Income	**4**	**(3)**

F. Assumptions

	As at March 31, 2017	As at March 31, 2016
Discount rate (per annum)	6.90%	7.80%
Expected rate of return on plan assets	-	-
Rate of increase in compensation levels	NA	NA
Attrition rate	NA	NA
Average past service of employees (years)	NA	NA
Mortality rates	LIC (a) 1996-98 annuitants	LIC (a) 1996-98 annuitants

39. (c) Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation					
	Changes in assumptions		Increase in assumption		Decrease in assumption	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	1%	1%	Decrease by 6.30%	Decrease by 6.68%	Increase by 3.69 %	Increase by 3.72%
Rate of increase in compensation levels	1%	1%	Increase by 3.32%	Increase by 2.92%	Decrease by 6.12%	Decrease by 6.15%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

39. (d) Risk exposure:

Through its defined benefit plans, Company is exposed to number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in government securities and pre-defined insurance plans. These are subject to interest rate risk and the fund manages interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in bond yields	A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

39. (d) Risk exposure *(continued)*

All amounts in INR Million

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2017 consists of government and public sector bonds, although the Company also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

39. (e) Effect of the defined benefit plan on the entity's future cash flows

Funding levels are monitored on an annual basis and the current agreed contribution rate is 12% of the basic salaries for PF and 4.7% for Gratuity. The Company considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

Expected contributions to post-employment benefit plans for the year ending March 31, 2018 is INR 266. The weighted average duration of the defined benefit obligation is 13 years (2016: 13 years, 2015: 13.1 years). The expected maturity analysis of undiscounted pension, gratuity and other post-employment benefits is as follows:

March 31, 2017	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	244	204	549	600	1,597
Provident fund	522	378	976	1,144	3,020
Total	**766**	**582**	**1,525**	**1,744**	**4,617**

March 31, 2016	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	404	269	754	928	2,355
Provident fund	500	522	1,075	1,235	3,332
Total	**904**	**791**	**1,829**	**2,163**	**5,687**

April 1, 2015	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	388	259	724	891	**2,262**
Provident fund	384	500	1,261	1,355	**3,500**
Total	**772**	**759**	**1,985**	**2,246**	**5,762**

Note: The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

39. (f) Compensated absences

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Obligation at the beginning of the year	784	716
Expense/ (income) for the year recognised in the Employee benefits expense in the Statement of Profit and Loss	(159)	169
Payments during the year	(129)	(100)
Obligation at the end of the year (Refer Note 18)	496	785
Current provision	107	160
Non-current provision	389	625

40. Leases All amounts in INR Million

(a) Finance lease:

The Company has acquired land, office equipment and vehicles on finance leases. The lease agreements for office equipment and vehicles are generally a primary period of 36 to 60 months. The Company has an option to renew these leases for a secondary period. Lease arrangement for land is generally for a period of 95-99 years.

The minimum lease payments and their present value for the finance leases, are as follows:

Particulars	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	67	73	43	48	34	41
Later than one year and not later than five years	68	74	57	61	75	83
Later than five years	-	-	-	-	-	-
	135	**147**	**100**	**109**	**109**	**124**
Less: Finance charges		12		9		15
Total (Refer Note 16)		**135**		**100**		**109**

(b) Operating lease:

The Company's significant operating leasing arrangements are in respect of premises (residential, office, manufacturing facilities, etc.) and plant and equipment, which are for a period generally ranging between 11 months and 3 years and are cancellable. These arrangements are usually renewable on mutually agreeable terms.

Rental expense relating to operating lease:

	As at March 31, 2017	As at March 31, 2016
Minimum lease payments	1,135	618
Contingent rent	929	891
Total rental expense relating to operating lease (Refer note 27)	**2,064**	**1,509**

Contingent rent represents bottling fees paid to tie-up manufacturers under an arrangement which are in nature of operating lease, where rent is determined based on the output/ volume.

There are no commitments for non-cancellable operating leases during the current and comparable reporting period.

41. 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 INR 358 (2016: INR 5,666) outstanding from such parties, corresponding write back of provisions against such receivables amounting to INR 370 (2016: INR 6,209) and interest claims from such parties amounting to INR 28 (2016: Nil) all of which have been treated as exceptional items during the year (refer Note 28). 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

41. *(continued)* All amounts in INR Million

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.

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 INR 9,135 using March 31, 2015 exchange rates (approximately INR 9,504 using March 31, 2016 exchange rates) as well as other potentially improper transactions involving USL and its Indian and overseas subsidiaries amounting to approximately INR 3,118 using March 31, 2015 exchange rates (approximately INR 3,260 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 INR 217 in respect of a write down in the value of certain items of plant and equipment made in the current reporting period and disclosed under exceptional items (Refer Note 28), 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, the Company has been undertaking a detailed review of each case of fund diversion to assess the Company's legal position and is in the process of initiating such action as is necessary to recover the funds from the relevant parties and individuals, to the extent possible. The Company has 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.

41. *(continued)*

All amounts in INR Million

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.

42. 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 INR 13,374 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 INR 13,374, and for the accrued interest of INR 846 up to March 31, 2014. The Company has also not recognised interest income on said loan aggregating to INR 3,748 for the period from April 1, 2014 to March 31, 2017. During the year Company has set-off payable to UBHL under the trademark agreement amounting to INR 290 (2016: INR 249) (cumulatively INR 539) 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.

43. 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 INR 75 ("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 Statement of profit and loss 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 thirteen 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 through a transparent process, under the overalll supervision and direction of the concerned Board Committee.

The Company had received certain undertakings from Dr. Mallya in relation to termination of the Shreholders' 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

44. The managerial remuneration for the financial year ended March 31, 2015 aggregating INR 63 and INR 153 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 INR 51 to the MD & CEO and INR 134 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 41 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.

45. 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.

46. 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 Company deposited a sum of INR 6,280, including prepayment penalty of INR 40, 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 INR 474 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

46. *(continued)* All amounts in INR Million

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 INR 459, 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 INR 459 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.

47. 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 INR 250 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 INR 3,030 (including potential liability of INR 130 for the period January to March 2017) during the current year (of which INR 460 relate to claims for current year sales which has been recorded as reduction from Revenue from Operations) and INR 2,570 pertaining to earlier years which has been disclosed as exceptional item in the Statement of profit and loss. In respect of some of the specific products the prices demanded by the Customer result in the Company incurring a forseeable loss and accordingly a provision for the onerous element in such contracts amounting to INR 75 has been made and included in exceptional item. The aggregate amount included in exceptional items is therefore INR 2,645 (Refer Note 28).

48. 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 thereafter 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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

48. *(continued)*

All amounts in INR Million

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 INR 553 which is considered good and receivable and disclosed as other non-current financial assets. The Company has made a provision during the current reporting period of INR 267 (2016: INR 107) towards reprocessing charges for inventory and INR 110 (2016: Nil) towards employee retrenchment totalling INR 377 (2016: Nil) which has been disclosed as exceptional item under Note 28.

49. Agreement for sale of United Spirits Nepal Private Limited

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 investment in United Spirits Nepal Private Limited amounting to INR 66 (2016: INR 66) has been classified as asset held for sale under current assets (Refer Note 13).

50. During the year ended March 31, 2016, the Company has infused:

(a) Equity capital of INR 987 in Tern Distilleries Private Limited, a wholly owned subsidiary of the Company ("Tern"). Tern has repaid the loans of INR 767 and accrued interest of INR 208 to the Company. Subsequent to the infusion, Tern has made an application to the Board for Industrial and Financial Reconstruction ("BIFR") for deregistering its name from the list of sick industrial undertakings. Accordingly, the Draft Rehabilitation Scheme for the amalgamation of Tern with the Company, as submitted to the BIFR, stands abandoned.

(b) Equity capital of INR 4,267 in Sovereign Distilleries Limited, a wholly owned subsidiary of the Company ("SDL"). SDL has repaid the loans of INR 3,399 and accrued interest of INR 857 to the Company.

(c) Company has recognised exceptional gain of INR 2,480 during the year ended March 31, 2016 pursuant to aforesaid transaction and recovery loans, whose deemed cost was considered lower by INR 2,480.(Refer Note 28).

51. (a) The Scheme of Amalgamation between the Company and SW Finance Co. Limited, a wholly owned subsidiary of the Company ("SWFCL"), under Section 391 and 394 read with Sections 100 to 103 of the Companies Act, 1956 (the "Scheme") with the appointed date of January 1, 2014 has been sanctioned by the Hon'ble High Court of Karnataka and Hon'ble High Court of Judicature at Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively. Upon necessary filings with the respective Registrars of Companies, the Scheme has become effective from September 28, 2015 (the 'Effective Date') and effect thereof have been given in these financial statements. Consequently:

(i) the Share capital of SWFCL to the extent held by SWFSL Trust stood cancelled;

(ii) the entire business and undertakings of SWFCL including all assets and liabilities, as a going concern transferred to and vested in the Company in accordance with the provisions of the Scheme with effect from the appointed date;

(iii) the Authorised capital of the Company increased to INR 7,192 divided into 548,000,000 equity shares of INR 10/- each, 159,200,000 preference shares of INR 10/- each and 1,200,000 preference shares of INR 100/- each; and

(iv) SWFCL ceased to be subsidiary of the Company, and as SWFCL was a wholly owned subsidiary (WOS) of the Company, no consideration was payable pursuant to amalgamation of SWFCL with the Company. Shaw Wallace Overseas Limited, a WOS of SWFCL has become a direct subsidiary of the Company.

The Company has given effect to the Scheme in the accounts with effect from April 1, 2015 being the date of transition in accordance with Ind AS 101 as this is a common control transaction under Ind AS 103.

(i) Surplus arising out of cancellation of equity shares to the extent held by SWFSL Trust in SWFCL has been credited to "Capital Reserve" for an amount of INR 683.

(ii) Difference between the values of net assets of SWFCL (including reserves) transferred to the Company after adjusting for investments cancelled has been debited to "General Reserve" for an amount of INR 742.

All amounts in INR Million

51. (b) During the year ended March 31, 2016 USL's wholly owned subsidiary Asian Opportunities & Investments Limited (AOIL), has sold its entire interest in Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S). Consequent to the above sale Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S) ceased to be subsidiaries of the Company.

52. 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 is not required.

53. Capital and other commitments

	March 31, 2017	March 31, 2016	April 1, 2015
Capital commitments for property, plant and equipment	341	816	1,474
Other commitments relating to trade mark fee	1,751	2,688	3,617

The Company has also given letter of support to the following subsidiaries to conduct their operations in such a manner as to enable them to meet their obligations, as and when they fall due for a period of twelve months:

i) Pioneer Distilleries Limited ii) Sovereign Distilleries Limited iii) Tern Distilleries Private Limited iv) Four Seasons Wines Limited v) Royal Challengers Sports Private Limited vi) Asian Opportunities & Investment Limited vii) United Spirits Singapore Pte Limited viii) Montrose International SA ix) Palmer Investment Group Limited x) UB Sports Management Overseas Ltd (Formerly known as " JIHL Nominees Limited") xi) USL Holdings Limited xii) USL Holdings (UK) Limited xiii) United Spirits (UK) Limited xiv) United Spirits (Great Britain) Limited xv) Liquidity Inc. xvi) United Spirits (Shanghai) Trading Co. Limited

54. Contingent Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
(a) Disputed dues against the Company not acknowledged as debts:			
(i) State Excise demands primarily for excess wastages and distillation losses	1,978	2,186	1,997
(ii) Central Excise matters	2	119	2
(iii) Service tax disputes	233	290	233
(iv) Property, labour and civil litigations	2,692	3,274	1,188
(v) Expenses relating to Historical agreements not recognised	-	121	486
(vi) Income tax disputes (including interest)	7,176	2,849	2,604
(vii) Sales tax and entry tax disputes in various states	2,069	2,264	2,084
(b) Bills receivables discounted	-	-	295
(c) Claims from suppliers not acknowledged as debts	65	62	83

Management is optimistic of succeeding in the above appeals / disputes based on legal opinions / legal precedents.

It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

55. Research and development expenses

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries and wages	48	45
Contribution to provident fund and other funds	5	5
Staff welfare expenses	1	1
Rent	4	4
Miscellaneous expenses	22	31
Total Research and development expenses	**80**	**86**

56. Dues to Micro, Small and Medium Enterprises (MSME)

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	195	183	164
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	8	2	1
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	435	331	314
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	3	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-	-
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	9	6	5
Further interest remaining due and payable for earlier years	14	8	6

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

57. Corporate Social Responsibility:

Since the average net profit of the Company during the three immediately preceding financial years is negative, the Company has no obligation to spend towards the Corporate Social Responsibility as required under the provisions of Section 135 of the Act.

58. (a) Details of loans during the year as per Section 186 (4) of Companies Act, 2013

Below mentioned amounts are at gross of provision

All amounts in INR Million

Name of the borrower	Relationship	Secured / unsecured	Purpose	Rate of Interest*	Term/ Repayment schedule	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Domestic subsidiaries								
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Unsecured	Working capital	10%	Principal and interest to be repaid on March 31, 2019	2,913	2,538	1,974
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Principal to be repaid on March 31, 2019	1,219	1,219	1,219
Four Seasons Wines Limited	Wholly owned subsidiary	Unsecured	Working capital	10%	Principal and interest to be repaid on March 31, 2019	765	722	539
Tern Distilleries Private Limited	Wholly owned subsidiary	Unsecured	Working capital	10%	Principal and interest to be repaid on December 4, 2019	9	-	677
Sovereign Distilleries Limited	Wholly owned subsidiary	Unsecured	Working capital	10%	Principal and interest to be repaid on December 18, 2019	5	-	3,308
Pioneer Distilleries Limited	Subsidiary	Unsecured	Working capital / Capex funding	10%	Principal and interest to be repaid on March 31, 2019	1,354	1,354	1,354
Overseas Subsidiaries								
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Refer note below	458	500	1,735
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	12%	No outstanding balance.	-	-	67
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	388	412	396
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	12%	No stipulated repayment term	16	19	-
USL Holdings Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Whyte and Mackay Limited	Interest free	Refer note below	50,382	52,216	49,361
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Refer note below	16	16	16
Liquidity Inc.	Subsidiary	Unsecured	Working capital	Interest free	Refer note below	54	54	54
Others								
United Breweries (Holdings) Limited	Entity having significant influence [Refer Note 37(a)]	Unsecured	Refer Note 42	9.50%	8 years	-	13,374	13,374
						57,579	**72,424**	**74,074**

* Rate of Interest as at March 31, 2017

Note: The loans and advances granted to these companies in earlier years are interest free without any repayment term stipulated and were largely intended towards acquisition of long term strategic investments.

(b) Details of guarantee given

Name of the party	Relationship	Nature	Purpose	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Pioneer Distilleries Limited	Subsidiary	Financial Guarantee given for loans	Security towards working capital loan given by a bank	1,000	934	934
Total				**1,000**	**934**	**934**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

59. Disclosure as per Regulation 34 (3) and 53 (f) read with Part A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of loans and advances, the amount in the nature of loans outstanding as at year end

Particulars	Value of Investments in equity held as at March 31, 2017	Loans outstanding as at March 31, 2017	Maximum amount of loans and advances outstanding during the year
i) Amount of Investment, loans and advances in the nature of loans outstanding from subsidiaries			
Asian Opportunities & Investments Limited	301	458	502
Four Season Wines Limited	693	765	765
Shaw Wallace Overseas Limited	14	-	-
USL Holdings Limited	22	50,382	52,270
Pioneer Distilleries Limited	1,117	1,354	1,354
United Spirits Nepal Private Limited	66	-	-
Palmer Investment Group Limited	6,918	-	-
Montrose International S.A	134	-	-
United Spirits Shanghai Trading Co. Limited	27	16	16
McDowell & Co (Scotland) Limited	126	404	433
Royal Challengers Sports Private Limited	1,699	4,130	4,244
Tern Distilleries Private Limited	1,127	9	9
Liquidity Inc.	119	54	54
Sovereign Distilleries Limited	4,582	5	5

Particulars	Value of Investments held	Loans outstanding as at March 31, 2016	Maximum amount of loans and advances outstanding during the year
i) Amount of Investment, loans and advances in the nature of loans outstanding from subsidiaries			
Asian Opportunities & Investments Limited	301	501	1,998
Four Season Wines Limited	693	722	722
Shaw Wallace Overseas Limited	14	-	-
USL Holdings Limited	22	50,994	53,814
Pioneer Distilleries Limited	1,117	1,354	1,354
United Spirits Nepal Private Limited	66	-	-
Palmer Investment Group Limited	6,918	-	-
Montrose International S.A	134	-	-
United Spirits Shanghai Trading Co. Limited	27	16	16
McDowell & Co (Scotland) Limited	126	431	445
Royal Challengers Sports Private Limited	1,699	3,757	3,757
Tern Distilleries Private Limited	1,127	-	767
Liquidity Inc.	119	54	54
Sovereign Distilleries Limited	4,582	-	3,399
ii) Loans and advances in the nature of loans to firms / companies in which directors are interested			
United Breweries (Holdings) Limited	-	13,374	13,374

The aforesaid amount are gross of provisions, if any made based on Management assessment of recoverability. For repayment schedule and interest related terms, Refer note 58(a).

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

60. During the year ended March 31, 2017 no material foreseeable loss was incurred for any long-term contracts including derivative contracts.

61. First-time adoption of Ind AS

Transition to Ind AS

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 1, have been applied in preparing the financial statements from the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 1, 2015 (the Company's date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

Set below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

A.1 Ind AS optional exemptions

A.1.1 Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment and investment in subsidiaries as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets.

Accordingly, the Company has elected to measure all of its Investments in subsidiaries, property, plant and equipment and intangible assets at their previous GAAP net carrying value.

A.1.2 Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS.

The Company has elected to apply this exemption for such contracts/arrangements.

A.1.3 Business Combination

Ind AS 101 provides the option to apply Ind AS 103 prospectively from the transition date or from a specific date prior top the transition date. This provides relief from full retrospective application that would require restatement of all business combination to the transition date.

The Company has elected to apply Ind AS 103 prospectively to business combinations occurring after its transition date. Business combinations occuring prior to the transition date have not been restated.

A.1.4 Designation of previously recognised financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments other than subsidiaries at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS.

Accordingly, the Company has elected to classify fair value gains/losses on such investments in statement of other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

61. First-time adoption of Ind AS *(continued)*

A.1.5 Cumulative translation differences

Ind AS 101 permits cumulative translation gains and losses to be reset to zero at the transition date. The Company elected to reset all cumulative translation gains and losses to zero by transferring it to opening retained earnings at its transition date.

A.1.6 Prospective application of Ind AS 21 to business combinations

Ind AS 101 allows a first-time adopter not to apply Ind AS 21 Effects of changes in Foreign Exchange Rates retrospectively for business combinations that occurred before the date of transition to Ind AS. In such cases, where the entity does not apply Ind AS 21 retrospectrively to fair falue adjustments and goodwill, the entity treats them as assets and liabilities of the acquirer entity and not as the acquiree.

The Company has elected to apply this exemption.

A.2 Ind AS mandatory exceptions

A.2.1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at April 1, 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

A.2.2 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

A.2.3 Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exits at the date of transition to Ind AS.

All amounts in INR Million

61. First-time adoption of Ind AS *(continued)*

B. Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables provide the reconciliations from previous GAAP to Ind AS.

(i) Reconciliation of equity as at date of transition (April 1, 2015)

	Foot note reference	Previous GAAP *	Adjustments	Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment		10,679	-	10,679
Capital work-in-progress		645	-	645
Other intangible assets		15	-	15
Non-Current Financial assets				
Investments	7	165	8,417	8,582
Loans	1, 2, 10	19,851	(18,900)	951
Other financial assets		440	-	440
Investments in subsidiaries	1, 10	5,338	5,294	10,632
Deferred tax assets	3, 11	873	226	1,099
Advance income tax (net)		2,281	-	2,281
Other non-current assets		3,460	-	3,460
Total non-current assets		**43,747**	**(4,963)**	**38,784**
Current assets				
Inventories	3, 9, 11	15,543	1,325	16,868
Current Financial assets				
Investments		11	-	11
Trade receivables	3	17,312	(802)	16,510
Cash and cash equivalents	1	1,819	2	1,821
Bank balances other than those included in Cash and cash equivalents above		355	-	355
Other financial assets	1, 9	6,418	(1,113)	5,305
Other current assets		4,340	-	4,340
Assets classified as held for sale		1	-	1
Total current assets		**45,799**	**(588)**	**45,211**
Total assets		**89,546**	**(5,551)**	**83,995**
EQUITY AND LIABILITIES				
Equity				
Equity share capital		1,453	-	1,453
Other equity				
Reserves and surplus	1, 2, 3, 11,13	17,968	(12,003)	5,965
Other reserves	7	-	8,417	8,417
Total equity		**19,421**	**(3,586)**	**15,835**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

61. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

(i) Reconciliation of equity as at date of transition (April 1, 2015) *(continued)*

	Foot note reference	Previous GAAP *	Adjustments	Ind AS
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
Borrowings	1	15,094	(4,624)	10,470
Other financial liabilities		251	-	251
Provisions		661	-	661
Total non-current liabilities		**16,006**	**(4,624)**	**11,382**
Current liabilities				
Financial liabilities				
Borrowings		36,213	-	36,213
Trade payables		8,716	-	8,716
Other financial liabilities		3,876	-	3,876
Provisions	13	2,120	175	2,295
Current tax liabilities	1	364	2,813	3,177
Other current liabilities	1	2,830	(329)	2,501
Total current liabilities		**54,119**	**2,659**	**56,778**
Total liabilities		**70,125**	**(1,965)**	**68,160**
Total equity and liabilities		**89,546**	**(5,551)**	**83,995**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

(ii) Reconciliation of equity as at March 31, 2016

	Foot note reference	Previous GAAP *	Adjustments	Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment		10,749	-	10,749
Capital work-in-progress		2,449	-	2,449
Other intangible assets	12	9	4	13
Non-Current Financial assets				
Investments	7	14	68	82
Loans	2, 10	17,218	(16,315)	903
Other financial assets		526	-	526
Investments in subsidiaries	8, 10	3,855	5,976	9,831
Deferred tax assets	3, 11	1,260	279	1,539
Advance income tax (net)		1,906	-	1,906
Other non-current assets		2,930	-	2,930
Total non-current assets		**40,916**	**(9,988)**	**30,928**

61. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

(ii) Reconciliation of equity as at March 31, 2016 *(continued)*

	Note reference	Previous GAAP *	Adjustments	Ind AS
Current assets				
Inventories	3, 9, 11	17,339	1,660	18,999
Current Financial assets				
Investments		11	-	11
Trade receivables	3	24,294	(1,154)	23,140
Cash and cash equivalents		48	-	48
Bank balances other than those included in Cash and cash equivalents above		79	-	79
Other financial assets	9	3,985	(750)	3,235
Other current assets		5,419	-	5,419
Assets classified as held for sale	8	1	65	66
Total current assets		**51,176**	**(179)**	**50,997**
Total assets		**92,092**	**(10,167)**	**81,925**
EQUITY AND LIABILITIES				
Equity				
Equity share capital		1,453	-	1,453
Other equity				
Reserves and surplus	2, 3, 11, 13	26,620	(11,001)	15,619
Other reserves	7	-	68	68
Total equity		**28,073**	**(10,933)**	**17,140**
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
Borrowings		7,057	-	7,057
Other financial liabilities		84	-	84
Provisions		683	-	683
Total non-current liabilities		**7,824**	**-**	**7,824**
Current liabilities				
Financial liabilities				
Borrowings		29,941	-	29,941
Trade payables		10,019	-	10,019
Other financial liabilities	9	6,949	578	7,527
Provisions	13	2,171	188	2,359
Current tax liabilities		3,477	-	3,477
Other current liabilities		3,638	-	3,638
Total current liabilities		**56,195**	**766**	**56,961**
Total liabilities		**64,019**	**766**	**64,785**
Total equity and liabilities		**92,092**	**(10,167)**	**81,925**

* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

61. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

(iii) Reconciliation of total comprehensive income for the year ended March 31, 2016

	Foot note reference	Previous GAAP *	Adjustments	Ind AS
Revenue				
Revenue from operations (Gross)	3, 5, 9	223,015	11,427	234,442
Less : Excise duty	4	132,242	(132,242)	-
Revenue from operations (net)		**90,773**	**143,669**	**234,442**
Other operating income		-	-	-
Other income		1,057	-	1,057
Total income		**91,830**	**143,669**	**235,499**
Expenses				
Cost of materials consumed	3, 9	37,797	10,612	48,409
Purchases of stock-in-trade	9	16,785	(14,829)	1,956
Changes in inventories of work-in-progress, stock-in-trade and finished goods	3, 9	(1,722)	(237)	(1,959)
Excise duty	3, 4, 9	-	151,960	151,960
Employee benefit expense	6	6,592	(165)	6,427
Finance costs		4,469	-	4,469
Depreciation and amortisation expense	12	1,021	(4)	1,017
Other expenses				
Advertisement and sales promotion		6,138	-	6,138
Other expenses	5, 9, 13	16,271	(3,624)	12,647
Total expenses		**87,351**	**143,713**	**231,064**
Profit before exceptional items and tax		**4,479**	**(44)**	**4,435**
Exceptional items	7	7,256	(8,536)	(1,280)
Profit before tax from continuing operations		**11,735**	**(8,580)**	**3,155**
Income tax expense				
- Current tax		1,744	-	1,744
- Tax relating to earlier years		568	-	568
- Deferred tax	3, 6, 11	(362)	13	(349)
- MAT credit availed		(27)	-	(27)
Total tax expense		**1,923**	**13**	**1,936**
Profit for the year		**9,812**	**(8,593)**	**1,219**
Other comprehensive income				
Remeasurements of post-employment benefit obligations	6	-	(165)	(165)
Fair value gain/(loss) on investments in equity	7	-	187	187
Income tax relating to these items	6	-	64	64
Other comprehensive income for the year, net of tax		**-**	**86**	**86**
Total comprehensive income for the year		**9,812**	**(8,507)**	**1,305**

** The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.*

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

61. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

(iv) Reconciliation of total equity as at March 31, 2016 and April 1, 2015

	Foot note reference	March 31, 2016	April 1, 2015
Total equity (shareholder's funds) as per previous GAAP		28,073	19,421
Adjustments:			
On account of allowance created on loan given to USL Holdings BVI	2	(10,274)	(10,274)
On account of amalgamation of SW Finance Co. Limited with the Company	1	-	(1,160)
Reversal of brand amortisation	12	4	-
Fair valuation of investments	7	68	8,417
Net impact on equity on reversal of revenue	3	(109)	(84)
De-recognition of borrowing cost capitalised on inventory	11	(713)	(536)
Stamp duty on erstwhile amalgamations	13	(188)	(175)
Tax effects of above adjustments	3, 11	279	226
Total adjustments		**(10,933)**	**(3,586)**
Total equity as per Ind AS		**17,140**	**15,835**

(v) Impact of Ind AS adoption on the statements of cash flows for the year ended March 31, 2016

	Previous GAAP	Adjustments	Ind AS
Net cash flow from operating activities	1,953	313	2,266
Net cash flow from investing activities	7,583	(529)	7,054
Net cash flow from financing activities	(11,347)	254	(11,093)
Net increase/(decrease) in cash and cash equivalents	**(1,811)**	**38**	**(1,773)**
Cash and cash equivalents as at April 1, 2015	1,859	(38)	1,821
Effect of exchange rate changes on cash and cash equivalents	-	-	-
Cash and cash equivalents as at March 31, 2016	**48**	**-**	**48**

Analysis of changes in cash and cash equivalents for the purposes of statement of cash flows under Ind AS			
Cash and cash equivalents as per previous GAAP and for the purpose of statement of cash flows	48	-	48

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

61. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

C. Foot Notes to first-time adoption:

1. Business combination - SW Finance Co. Limited

As noted in Note 51(a) on August 28, 2015, the Company received an approval to merge with SW Finance Co. Limited (SWFCL) with an effective date of January 1, 2014, accordingly company had recorded below mentioned merger entries on August 28, 2015 (being the appointed date) under the previous GAAP. However, as per Ind AS 103, the results of SWFCL have been merged with the company with effect from April 1, 2015 as this is a common control transaction, and below adjustments were made to opening Balance sheet as at the transition date:

Particulars	As at April 1, 2015
Liabilities - Increase/ (decrease)	
Other current liabilities	(329)
Reserves and surplus	(1,160)
Borrowings	(4,624)
Current tax liabilities (net)	2,813
	(3,300)
Assets - Increase / (decrease)	
Investment in subsidiaries	(3,302)
Cash and cash equivalents	2
Loans	(29)
Other financial assets	29
	(3,300)

2. Cumulative translation differences

The Company elected to reset all cumulative translation reserve to zero by transferring it to opening retained earnings at its transition date. Consequently, the loan to USL Holdings Limited BVI which was not considered as doubtful under previous GAAP to the extent of balance in Foreign Currency Translation Reserve, has been fully provided for as at the transition date amounting to INR 10,274. This resulted in net reduction in Reserves and Surplus amounting to INR 10,274 and an equivalent reduction in loans.

3. Revenue recognition

Under Ind AS 18, revenue is recognised when significant risk and reward is transferred and company does not retain either continuing managerial involvement or effective control over the goods sold. Hence, revenue recognised under previous GAAP relating to certain customers have been reversed. Net impact of reversal of revenue for the year ended March 31, 2016 is as below:

a. Decrease in Revenue from Operations : INR 352 (net of opening)
b. Increase in Cost of materials consumed: INR 229 (net of opening)
c. Decrease in changes in inventories of work-in-progress, stock-in-trade and finished goods: INR 326 (net of opening)
d. Decrease in Excise duty: INR 229 (net of opening)
e. Increase in inventories : INR 1,045 (2015 : INR 719)
f. Decrease in trade receivables: INR 1,154 (2015 : INR 802)
g. Corresponding deferred tax asset on aforesaid items amounted to INR 37 (2015: INR 28) has been created with a corresponding increase in deferred tax income.
h. Reduction in Reserves and Surplus by INR 56 as at April 1, 2015 and INR 72 as at March 31, 2016.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

61. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

4. Excise duty

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty paid and charged to customers. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended March 31, 2016 by INR 132,242. There is no impact on the total equity and profit.

5. Trade discount

Under Indian GAAP, trade and cash discounts of INR 4,111 was recognised as part of other expenses which has been adjusted against the revenue under Ind AS during the year ended March 31, 2016.

6. Remeasurements of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2016 decreased by INR 165 with a corresponding increase in Other Comprehensive Income. There is no impact on the total equity as at March 31, 2016. Deferred tax assets of INR 64 reclassified to Other Comprehensive Income on this account.

7. Fair valuation of investments

Under the previous GAAP, investments in equity instruments other than investments in subsidiaries and mutual funds were classified as long-term investments or current investments based on the intended holding period and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at fair value.

Fair value changes with respect to these items designated as at FVOCI have been recognised in FVOCI- equity investments reserve as at the date of transition and subsequently in the other comprehensive income for the year ended March 31, 2016. This resulted in-

- an increase of INR 8,417 in investments and an equivalent increase in other reserves as at the transition date, which includes gains of INR 70 on equity investments unsold as at March 31, 2016 .

- fair value gain of INR 187 for the year ended March 31, 2016 which is accounted under FVOCI reserves with a corresponding increase in investment, which includes a loss of INR 2 on equity investments unsold as at March 31, 2016

- Gain of INR 8,536 on sale of investments during the year ended March 31, 2016 which was earlier recognised under exceptional items in previous GAAP, has been recognised under Ind AS as part of FVOCI reserve as at transition date of INR 8,347 and in other comprehensive income of INR 189 for the year ended March 31, 2016

- FVOCI equity instruments reserves as at March 31, 2016 has increased by INR 68 (representing gains on transition amounting to INR 70 and loss of INR 2 during the year ended March 31, 2016) as compared to previous GAAP for unsold equity investments as at March 31, 2016.

8. Assets classified as held for sale

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). Accordingly, investments in United Spirits Nepal Private Limited amounting to INR 65 is presented as held for sale. Under previous GAAP, the Company had disclosed this under 'Long-term investments'.

9. Tie-up manufacturing arrangements

The Company has entered into arrangements with certain distilleries and bottling units (Tie-up units) for manufacture and marketing of its own brands. The Tie-up units have necessary license and regulatory permits to manufacture beverage alcohol. Under previous GAAP Company had recognised net surplus (total revenue over total expense) from operation through these Tie-up units under Revenue from operations. However, under Ind AS 18, Company has aggregated the below mentioned amounts in its Statement of Profit and Loss and balance sheet with respect to these tie-up units. Consequent to these changes, there is no impact on the total equity and profit.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

61. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

In the Statement of Profit and Loss

Particulars	For the year ended March 31, 2016
Increase / (decrease)	
Revenue from operations	15,890
Excise duty	19,947
Cost of materials consumed	10,385
Purchases of stock-in-trade	(14,829)
Changes in inventories of work-in-progress, finished goods and stock in trade	(89)
Other expenses	476

In Balance sheet

Particulars	As at March 31, 2016	As at April 1, 2015
Increase / (decrease)		
Inventory	1,328	1,142
Other current financial assets	(750)	(1,142)
Total	**578**	**-**
Increase / (decrease)		
Other current financial liabilities	578	-
Total	**578**	**-**

10. Deemed investments

The Company has granted loans amounting to INR 6,041 during the year ended March 31, 2016 (2015: INR 8,597), to its subsidiaries. Settlement of these loans is likely to occur only on liquidation of subsidiaries, hence under Ind AS 109 these are reclassified to investments.

11. De-recognition of borrowing cost capitalised on inventory

Ind AS 23 does not require borrowing costs directly attributable to the inventories to be capitalised. Under previous GAAP, these cost were capitalised to inventory. Accordingly, inventory as at March 31, 2016 has reduced by INR 713 (2015: INR 536) with a corresponding adjustment to retained earnings. The profit for the year ended March 31, 2016 reduced by INR 178 as a result of additional interest expense with a corresponding decrease in inventory. Corresponding deferred tax asset amounted to INR 242 (2015: INR 198) has been created. Net reduction in retained earnings is INR 338 as at April 1, 2015 and INR 472 as at March 31, 2016.

12. Reversal of brand amortisation

Under Indian GAAP, Brand was amortised over a period of 10 years which was recognised as part of Depreciation and amortisation expense. Based on the assessment performed by the management, it has been determined that these Brand has an infinite useful life under Ind AS. As a result of this change, the profit for the year ended March 31, 2016 increased by INR 4 as a result of reversal of depreciation and amortisation expense.

13. Stamp duty on erstwhile amalgamations

The Company had omitted recognition of stamp duty payable and penalties payable on various amalgamations effected through court orders in earlier years. On adoption of Ind AS, at the date of transition the Company has recorded the stamp duty and penalties payable upto the transition date amounting to INR 188 (2015: INR 175) through debit to retained earnings. For the year ended March 31, 2016, the Company has recognised charge of INR 13 in the statement of profit and loss.

62. Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016:

Amount in INR

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing cash in hand as at November 8, 2016	1,169,500	429,225	1,598,725
(+) Receipts not permitted*	145,500	-	145,500
(+) Permitted receipts	-	1,379,054	1,379,054
(-) Permitted payments	94,500	902,581	997,081
(-) Amount deposited in banks	1,220,500	552,110	1,772,610
Closing cash in hand as at December 30, 2016	**-**	**353,588**	**353,588**

*includes INR 17,500 which were returned by employees from imprest balances.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

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.

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 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

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

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.

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.

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.

    (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.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

(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.

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 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 Auditors' 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.

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.

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

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.

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

CONSOLIDATED BALANCE SHEET

All amounts in INR Million

	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Assets				
Non-current assets				
Property, plant and equipment	3.1	14,554	13,768	14,452
Capital work-in-progress		1,993	2,821	1,133
Investment properties	3.3	-	672	658
Goodwill	3.2	680	1,125	1,594
Other intangible assets	3.2	3,932	3,975	4,137
Financial assets				
Investments	4	-	82	8,582
Loans	5	-	-	117
Other financial assets	6	1,311	526	440
Deferred tax assets (net)	7	1,781	1,900	1,576
Advance income tax (net)	8	3,256	2,243	2,495
Other non-current assets	9	3,961	3,302	3,716
Total non-current assets		**31,468**	**30,414**	**38,900**
Current assets				
Inventories	10	19,276	19,519	18,906
Financial assets				
Investments	4	1	12	11
Trade receivables	11	29,534	23,032	16,383
Cash and cash equivalents	12.1	785	1,287	2,677
Bank balances other than cash and cash equivalents	12.2	87	81	787
Other financial assets	6	1,047	2,690	4,149
Other current assets	9	5,522	5,955	4,478
Assets classified as held for sale	13	1,239	303	1
Total current assets		**57,491**	**52,879**	**47,390**
Total assets		**88,959**	**83,293**	**86,290**
Equity and liabilities				
Equity				
Share capital	14	1,453	1,453	1,453
Other equity				
Reserves and surplus	15.1	16,403	14,826	4,804
Other reserves	15.2	-	68	8,417
Equity attributable to the owners of the Group		**17,856**	**16,347**	**14,674**
Non-controlling interests		(25)	56	8
Total equity		**17,831**	**16,403**	**14,682**
Non-current liabilities				
Financial liabilities				
Borrowings	16	8,697	7,305	11,117
Other financial liabilities	17	-	392	1,010
Provisions	18	442	683	661
Total non-current liabilities		**9,139**	**8,380**	**12,788**

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

All amounts in INR Million

	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Current liabilities				
Financial liabilities				
Borrowings	16	29,069	29,969	36,536
Trade payables	19	12,247	10,189	9,431
Other financial liabilities	17	9,575	8,227	4,748
Provisions	18	2,752	2,383	2,345
Current tax liabilities (net)	8	3,317	3,479	3,177
Other current liabilities	20	4,864	4,135	2,583
Liabilities directly associated with assets classified as held for sale	13	165	128	-
Total current liabilities		**61,989**	**58,510**	**58,820**
Total liabilities		**71,128**	**66,890**	**71,608**
Total equity and liabilities		**88,959**	**83,293**	**86,290**
Significant accounting policies	1			

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

All amounts in INR Million

	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
Revenue			
Revenue from operations	21	257,568	239,209
Other income	22	1,053	436
Total Income		**258,621**	**239,645**
Expenses			
Cost of materials consumed	23	46,755	47,370
Purchase of stock-in-trade		1,974	1,793
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	568	(1,591)
Excise duty		169,393	154,260
Employee benefits expense	25	6,882	6,800
Finance costs	26	3,751	4,574
Depreciation, amortisation and impairment expense	3.1,3.2,3.3	1,886	1,572
Others:			
Advertisement and sales promotion		6,734	6,154
Other expenses	27	15,370	14,777
Total expenses		**253,313**	**235,709**
Profit before exceptional items and taxation		**5,308**	**3,936**
Less: Exceptional items (net)	28	(3,681)	(274)
Profit before taxation		**1,627**	**3,662**
Income tax expense:			
Current tax	29	571	1,923
Tax relating to earlier years		-	568
Deferred tax charge/(credit)		99	(236)
MAT credit utilized/(availed)		27	(27)
Profit for the year		**930**	**1,434**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of FVOCI equity instruments		18	187
Remeasurements of post-employment benefit obligations		733	(177)
Income tax relating to these items		(254)	65
Items that may be reclassified to profit or loss			
Exchange difference on translation of foreign operations		(29)	215
Other comprehensive Income for the year, net of tax		**468**	**290**
Total comprehensive income for the year		**1,398**	**1,724**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS *(CONTINUED)*

All amounts in INR Million

	Note	For the year ended March 31, 2017	For the year ended March 31, 2016
Profit is attributable to:			
Owners		1,001	1,383
Non-controlling interest		(71)	51
		930	**1,434**
Other comprehensive income is attributable to:			
Owners		468	289
Non-controlling interest		(0)	1
		468	**290**
Total comprehensive income is attributable to:			
Owners		1,469	1,672
Non controlling Interest		(71)	52
		1,398	**1,724**
Basic and diluted earnings per share (INR)	30	7.06	9.75

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

CONSOLIDATED CASH FLOW STATEMENT

All amounts in INR Million

		Notes	For the year ended March 31, 2017		For the year ended March 31, 2016	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before taxation			**1,627**		**3,662**
	Adjustments for					
	Depreciation, amortisation and impairment expense	3.1,3.2,3.3	1,886		1,572	
	Employee share based expense	35	57		-	
	Loss on disposal of property, plant and equipment	27	-		17	
	Loss on disposal of subsidiaries	28	-		110	
	Impairment of Goodwill on consolidation	28	445		128	
	Write down in the value of plant and equipment	28	217		-	
	Reversal of provision against claims	28	(28)		-	
	Provision for doubtful debts / advances / deposits written back	28	(370)		(6,209)	
	Bad and doubtful advances, deposit and trade receivables written off	28	358		5,666	
	Provision on advances to associates	28	37		157	
	Provision for doubtful debts / advances / deposits	27	75		917	
	Bad debts / advances / deposits written off	27	20		-	
	Unrealised foreign exchange loss		62		18	
	Finance costs	26	3,751		4,574	
	Liabilities, provisions or allowances no longer required written back	22	(514)		(349)	
	Gain on disposal of property, plant and equipment	22	(337)		(6)	
	Dividend income from investments measured at FVPL	22	(1)		(2)	
	Allowance for doubtful receivable towards sale of property, plant and equipment	28	-		316	
	Interest Income on financial assets held at amortised cost	22	(197)		(49)	
				5,461		**6,860**
	Operating profit before working capital changes			**7,088**		**10,522**
	(Increase) / decrease in trade receivables		(6,560)		(7,100)	
	(Increase) / decrease in loans and other financial assets		788		1,226	
	(Increase) / decrease in non-financial assets		(294)		(1,146)	
	(Increase) / decrease in inventories		379		(1,854)	
	Increase / (decrease) in trade payables		2,169		1,088	
	Increase / (decrease) in other financial liabilities		3,289		527	
	Increase / (decrease) in other liabilities		790		1,576	
	Increase / (decrease) in provisions		819	**1,380**	(104)	**(5,787)**
	Cash generated from operations			**8,468**		**4,735**
	Income taxes paid (net)			(2,000)		(1,908)
	Net cash generated from operations			**6,468**		**2,827**

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

All amounts in INR Million

		Notes	For the year ended March 31, 2017		For the year ended March 31, 2016	
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of property, plant and equipment		(2,802)		(2,597)	
	Proceeds from sale of property, plant and equipment		528		17	
	Proceeds from sale of investments		111		8,687	
	Payment towards franchise rights (intangible assets)		(308)		(450)	
	Proceeds from disposal of subsidiaries		-		1,556	
	Proceeds from sale of manufacturing unit		-		250	
	Interest received		197		49	
	Dividend received		1		2	
	Net cash generated from / (used in) investing activities			**(2,273)**		**7,514**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Proceeds from non-current borrowings		5,000		3,535	
	Repayment of non-current borrowings		(5,096)		(3,952)	
	Proceeds from current borrowings		18,224		9,000	
	Repayment of current borrowings		(19,027)		(15,453)	
	Repayment of deferred sales tax liability		(12)		(28)	
	Finance lease payments		(86)		(45)	
	Interest paid		(3,752)		(4,603)	
	Dividends paid		-		(3)	
	Net cash (used in) financing activities			**(4,749)**		**(11,549)**
	Cash and cash equivalents of subsidiaries disposed			-		(129)
	Cash and cash equivalents disclosed as held for sale			(1)		(53)
	Net (decrease) in cash and cash equivalents			**(555)**		**(1,390)**
	Cash and cash equivalents as at the beginning of the year			1,287		2,677
	Opening cash equivalents classified as held for sale			53		-
	Cash and cash equivalents as at the end of the year			785		1,287
	Total			**(555)**		**(1,390)**

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2017

All amounts in INR Million

A. Equity share capital (Refer Note 14)

Particulars	Amount
As at April 1, 2015	1,453
Changes in equity share capital	-
As at March 31, 2016	1,453
Changes in equity share capital	-
As at March 31, 2017	1,453

B. Other equity (Refer Note 15)

	Reserves and surplus												Other reserves	
	Capital reserve	Capital redemption reserve	Securities premium account	Treasury shares	Central subsidy	Share based incentive reserve	Foreign currency translation reserve	Employee housing fund	Contin-gency reserve	General reserve	Retained Earnings	Total	FV OCI - Equity Instru-ments	Total
Balance as at April 1, 2015	5,675	699	45,682	(1,197)	48	-	-	1	110	10,408	(56,621)	4,804	8,417	13,221
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,383	1,383	-	1,383
Other comprehensive income (OCI)	-	-	-	-	-	-	215	-	-	-	(177)	38	187	225
Tax impact of OCI items	-	-	-	-	-	-	-	-	-	-	65	65	-	65
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**215**	**-**	**-**	**-**	**1,271**	**1,486**	**187**	**1,673**
Transferred to retained earnings on sale of equity investments	-	-	-	-	-	-	-	-	-	-	8,536	8,536	(8,536)	-
Balance as at March 31, 2016	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**-**	**215**	**1**	**110**	**10,408**	**(46,815)**	**14,826**	**68**	**14,893**
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,001	1,001	-	1,001
Other comprehensive income (OCI)	-	-	-	-	-	-	(29)	-	-	-	733	704	18	722
Tax impact of OCI items	-	-	-	-	-	-	-	-	-	-	(254)	(254)	-	(254)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(29)**	**-**	**-**	**-**	**1,480**	**1,451**	**18**	**1,469**
Share based incentives	-	-	-	-	-	40	-	-	-	-	-	40	-	40
Transferred to retained earnings on sale of equity investments	-	-	-	-	-	-	-	-	-	-	86	86	(86)	-
Balance as at March 31, 2017	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**40**	**186**	**1**	**110**	**10,408**	**(45,248)**	**16,403**	**-**	**16,403**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Background

United Spirits Limited ("USL" or the "Company") which is headquartered in Bengaluru, Karnataka, India, together with its subsidiaries, its controlled trust and its associate (collectively referred to as "the Group" here in under) is primarily engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines). In addition, the Group through its wholly owned subsidiary holds the perpetual right to the Bangalore Franchise of the Board of Control for Cricket in India – Indian Premier League (BCCI-IPL).

These consolidated financial statements are approved for issue by the Company's Board of Directors on May 30, 2017.

Note 1 - Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation of financial statements

(i) Compliance with Ind AS

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The financial statements up to year ended March 31, 2016 were prepared in accordance with the accounting standards notified under Companies (Accounting Standard) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP).

These financial statements are the first financial statements of the Group under Ind AS. Refer Note 57 for an explanation of how the transition from previous GAAP to Ind AS has affected the Group's financial position as at March 31, 2016 and April 1, 2015 and financial performance and cash flows for the year ended March 31, 2016.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities which are measured at fair value;
- defined benefit plans - plan assets measured at fair value;
- share-based payment obligations; and
- assets held for sale – measured at lower of cost and fair value less costs to sell

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III (Division II) to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of asset for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current / non- current classification of assets and liabilities.

1.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group except for common control transactions.

1.2 Principles of consolidation and equity accounting *(continued)*

The Group combines the financial statements of the parent and its subsidiaries and controlled trust line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet, respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognized at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment. When the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other shareholder(s).

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also estimated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 1.5 below.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized within equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The consolidated financial statements are presented in Indian rupee (INR), which is USL's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in statement of profit and loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit and loss on a net basis within other income/ other expense.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Translation of Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency of the Company are translated into the presentation currency of the Group as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income as 'Foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are recognized in other comprehensive income as 'Foreign currency translation reserve'. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.4 Property, plant and equipment, investment properties and intangible assets

Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

1.4 Property, plant and equipment, investment properties and intangible assets *(continued)*

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Statement of profit and loss during the reporting period in which they are incurred.

The cost of property, plant and equipment which are not ready for their intended use before such date, are disclosed as capital work-in-progress.

Depreciation methods, estimated useful lives and residual value

Depreciation is calculated using the straight line method as per the estimated useful lives of assets as below:

Asset category	Useful life (in years)	Basis of determination of useful lives
Buildings		
- Roads	5	Schedule II of the Act
- Buildings	30 - 60	Schedule II of the Act
Plant and equipment		
- Wooden casks	7.5 - 15	Management estimate
- Others	7.5 – 15	Schedule II of the Act and management estimate
Helicopter	18	Management estimate
Furniture and Fittings	10	Schedule II of the Act
Office Equipment		
- Computers	3	Schedule II of the Act
- Servers	3	Management estimate
- Others	5	Schedule II of the Act
Vehicles	5	Management estimate

Useful lives of asset classes determined by management estimate, which differ from those prescribed under Schedule II of the Act are supported by internal technical assessment of the useful lives.

In respect of certain items of plant and equipment for which rates are prescribed in Part C of Schedule II of the Act based on the number of shifts, depreciation is provided for the full year on triple shift basis.

Property, plant and equipment acquired in a business combination are depreciated as per the above policy over the remaining useful life at the date of acquisition.

Assets taken on finance lease are depreciated over their estimated useful lives as stated above or the lease term, whichever is shorter, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in Statement of profit and loss within Other income/ Other expenses.

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.4 <u>Property, plant and equipment, investment properties and intangible assets</u> *(continued)*

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 40 years. The useful life has been determined based on technical evaluation performed by the management's expert. Investment properties are assessed for impairment, if any, at each reporting date.

Intangible assets

Brands and Licenses

Licenses acquired are carried at cost less accumulated amortisation and impairment losses, if any. Brands are regarded as having indefinite useful economic lives and are not amortised.

Computer software

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of customised computer software applications are recognised as intangible assets when the following criteria are met:

a) it is technically feasible to complete the software so that it will be available for use.
b) there is an ability to use or sell the software.
c) it can be demonstrated how the software will generate probable future economic benefits.
d) adequate technical, financial and other resources to complete the development and to use or sell software are available, and
e) the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the customised computer software applications include employee costs and other directly attributable costs.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

Franchise right

The Group, through one of its wholly owned subsidiary, owns perpetual franchise right of Bangalore team for Indian Premier League – Royal Challengers Bangalore. Franchise right acquired are carried at cost less accumulated amortisation and impairment losses, if any.

Research and development costs

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, further economic benefits are probable, the Group has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

Amortisation methods and periods

The Group amortises intangible assets with a finite useful life using the straight-line method over their estimated useful life as follows:

➢ Licenses – over the license period
➢ Computer software – 5 years
➢ Franchisee rights – 50 years*

* Refer Note 59.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all its property, plant and equipment, investment properties and intangible assets recognized as at April 1, 2015 measured as per previous GAAP and use that carrying value as deemed cost of the property, plant and equipment and intangible assets.

1.5 <u>Impairment of assets</u>

Goodwill and Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets including the Group's interest are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 <u>Leases</u>

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. All other lease arrangements are classified as operating leases.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

As a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

1.7 <u>Financial Instruments</u>

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.7 Financial Instruments *(continued)*

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets - Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Financial assets, other than equity instruments, are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both (a) the entity's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset.

Debt instruments measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Amortised cost is calculated using the effective interest rate ("EIR") method by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Measured at fair value through other comprehensive income (FVOCI):

A financial asset is measured at FVOCI, if it is held with an objective to collect contractual cash flows and selling such financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding. It is subsequently measured at fair value with fair value movements recognised in the Other Comprehensive Income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Measured at fair value through profit and loss (FVPL):

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1.7 <u>Financial Instruments</u> *(continued)*

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost and at FVOCI. The credit loss is difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. This is assessed on an individual or collective basis after considering all reasonable and supportable information including that which is forward-looking.

For trade receivables, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The losses arising from impairment are recognised in the Statement of profit and loss.

Derecognition of financial assets

A financial asset is derecognised only when:

- The Group has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Group has not retained control of the financial asset.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward foreign exchange contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value, with changes in fair value recognised in Statement of profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Recognition of Income from Investments and other financial assets

Dividend income on investments is recognised and accounted for when the right to receive the payment is established.

Interest income and guarantee commission is accounted for on a time-proportion basis using amortised cost taking into account the amounts invested and the rate of interest.

1.8 <u>Inventories</u>

Inventories which comprise of raw materials, work-in-progress, finished goods, stock-in-trade, packing materials and stores and spares are carried at the lower of cost or net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis. Adequate allowance is made for obsolete and slow moving items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.9 Trade receivables

Trade receivables are initially recognised at their transaction price (fair value) and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.10 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1.11 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duties and net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a. **Sale of products**

Revenue is recognised on dispatch of goods or on delivery to customer, in accordance with the terms of sale.

b. **Revenue from tie-up manufacturing arrangements**

The Group has entered into arrangements with tie-up manufacturers (TMU), where-in TMUs manufacture and sell on behalf of the Group. Accordingly, the transactions of the tie-up units under such arrangements have been recorded as gross revenue, excise duty and expenses as they were transactions of the Group.

c. **Income from brand franchise arrangements**

Income from brand franchise is recognised in terms of the respective contracts upon sale of the products by the franchisees. Revenue in respect of fixed value brand franchise arrangements is recognized proportionately in each period. Income from brand franchise is net of service tax.

d. **Revenue from central rights income, prize money, sponsorship, digital income and transfer fees araising from BCCI-IPL franchise**

The Group recognises such revenue from BCCI-IPL franchise when the Group performs the obligations under the contract.

e. **Revenue from sale of tickets and branding income arising from BCCI-IPL franchise**

Revenue from sale of tickets and branding income arising from BCCI-IPL franchise is recognised on transfer of significant risk and reward.

1.12 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

1.12 <u>Employee benefits</u> *(continued)*

Defined contribution plans

These are plans in which the Group pays pre-defined amounts to publicly administered funds as per local regulations and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government, superannuation fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Group's payments to the defined contribution plans including in foreign subsidiaries are recognised as employee benefit expenses when they are due.

(b) Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of profit and loss.

The obligations are presented as current / non-current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) Post-employment obligation

The Group's defined benefit plans comprise of gratuity, pension and provident fund (administered by trusts set up by the Group, where the Group's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Group).

The liability or asset recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

(d) Share-based payments

Share based compensated benefits are provided to certain grades of employees in the form of United Spirits Limited-Stock Appreciation Rights Plan, a cash settled scheme, and the Diageo Incentive Plan, an equity settled scheme.

Stock appreciation rights

Liabilities for the Group's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as provisions in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.12 Employee benefits *(continued)*

Diageo incentive plan

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of profit and loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognizes the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plan are recharged by Diageo Plc, the same is accounted for as a reduction from equity.

1.13 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in countries where Group has taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where the group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Interest and penalties on Income-tax has been disclosed with current tax charge.

Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is reasonably certain that the Group will pay normal income-tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset, the said asset is created by way of a credit to the statement of profit and loss. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer reasonable certainty to the effect that Group will pay normal income-tax during the specified period. MAT credit entitlement is presented as deferred tax asset in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.14 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year, excluding treasury shares. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

1.15 Provisions and contingencies

Provisions are recognised when the Group has a dpresent legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.18 Exceptional items

When an item of income or expense within Statement of profit and loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group for the year, the nature and amount of such items is disclosed as exceptional items.

1.19 Segmental information

Group 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 Group has identified its Executive Committee as the Chief Operating Decision Maker. The Executive Committee assesses performance and allocates resources for 'Prestige and above' and 'Popular' brand segments. 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.

1.20 Equity

Own shares represent shares and share options of the Group that are held in treasury by USL Benefit trust. Pursuant to order of High Court of Karnataka and Bombay, shares held in aforesaid trust are treated as part of investment in subsidiary.

Dividends - Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1.21 Assets (or disposal groups) held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale under current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable and is expected to be sold within one year from the balance sheet date. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet under the heading Current assets. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

1.22 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with Ind AS 37 and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.23 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.24 Common control transactions

Business combinations involving entities that are controlled by the Group are accounted for using the pooling of interests method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. Adjustments are only made to harmonise accounting policies.
- The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.
- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.
- The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.
- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

1.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

1.26 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III to the Companies Act, 2013, unless otherwise stated. The sign '0' in these Ind AS financial statements indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are nil.

1.27 Recent accounting pronouncements

Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of Cash Flows' and Ind AS 102, 'Share-based payment'. These amendments are in accordance with the amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of Cash Flows' and IFRS 2, 'Share-based payment', respectively. The amendments are applicable to the Group from April 1, 2017.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and the closing balances in the balance sheet for liabilities arising from the financing activities, to meet the disclosure requirement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.27 Recent accounting pronouncements *(continued)*

The Group is evaluating the requirements of the amendment and believes that the effect on the financial statements is unlikely to be material.

Amendment to Ind AS 102:

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that includes a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Group is evaluating the requirements of the amendment and believes that the impact on the financial statements is unlikely to be material.

2. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – Note 39
- Estimation of provisions and contingent liabilities – Notes 18 and 54
- Impairment of goodwill – Note 50(b)
- Useful life of Franchise right – Note 59

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

3.1 Property, Plant and Equipment

All amounts in INR Million

	Owned						Leased			Total
	Freehold Land	Buildings [Notes (a) and (b) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Land	Office Equipment	Vehicles	
Year ended March 31, 2016										
Gross carrying amount										
Deemed cost as at April 1, 2015	2,660	3,969	7,220	258	104	16	112	100	13	14,452
Translation adjustments	1	(14)	13	10	(1)	1	-	(1)	1	10
Additions	-	233	898	41	66	3	9	35	-	1,285
Disposals	-	(11)	(13)	(3)	(3)	-	-	-	(3)	(33)
Adjustments (refer note (d) below)	(10)	(461)	(79)	-	(7)	-	-	-	-	(557)
Assets classified as disposal group (refer Note 13)	(0)	(10)	(19)	(0)	(1)	(0)	-	-	-	(30)
Closing gross carrying amount	**2,651**	**3,706**	**8,020**	**306**	**158**	**20**	**121**	**134**	**11**	**15,127**
Accumulated depreciation										
Depreciation charge for the year	-	145	1,092	56	64	14	-	42	3	1,416
Translation adjustments	-	(14)	(3)	(2)	1	(1)	-	-	-	(19)
Disposals	-	-	(3)	-	(1)	-	-	-	-	(4)
Adjustments (refer note (d) below)	-	(13)	(18)	-	(1)	-	-	-	-	(32)
Assets classified as disposal group (refer Note 13)	-	-	(2)	-	-	-	-	-	-	(2)
Closing accumulated depreciation	**-**	**118**	**1,066**	**54**	**63**	**13**	**-**	**42**	**3**	**1,359**
Net carrying amount as at March 31, 2016	**2,651**	**3,588**	**6,954**	**251**	**96**	**7**	**121**	**92**	**8**	**13,768**
Year ended March 31, 2017										
Gross carrying amount										
Opening gross carrying amount	2,651	3,706	8,020	306	158	20	121	134	11	15,127
Translation adjustments	-	25	(20)	-	3	-	-	-	-	8
Additions	-	969	1,985	99	90	4	10	107	4	3,268
Assets classified as held for sale (refer Note 13)	(35)	(202)	(163)	(4)	(2)	-	-	-	-	(406)
Disposals [Note (c) below]	(21)	(84)	(352)	(15)	(16)	(6)	-	-	-	(494)
Closing gross carrying amount	**2,595**	**4,414**	**9,470**	**386**	**233**	**18**	**131**	**241**	**15**	**17,503**
Accumulated depreciation										
Opening accumulated depreciation	-	119	1,066	54	63	13	-	42	3	1,361
Translation adjustments	-	9	26	-	-	-	-	-	-	35
Depreciation charge for the year	-	207	1,255	69	66	3	44	72	3	1,720
Assets classified as held for sale (refer Note 13)	-	(8)	(66)	(2)	(2)	-	-	-	-	(78)
Disposals	-	(8)	(57)	(3)	(13)	(6)	-	-	-	(87)
Closing accumulated depreciation	**-**	**319**	**2,224**	**118**	**114**	**10**	**44**	**114**	**6**	**2,949**
Net carrying amount as at March 31, 2017	**2,595**	**4,096**	**7,246**	**268**	**119**	**8**	**87**	**127**	**9**	**14,554**

Notes:

(a) Buildings include an amount of INR 357 (2016: INR 357, 2015: INR 357) in respect of which title deeds are yet to be registered in the name of the Company.

(b) Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3.1 Property, Plant and Equipment *(continued)* All amounts in INR Million

i) 660 equity shares (unquoted) of INR 100 each fully paid in Shree Madhu Industrial Estate Limited INR 0.066 (2016 and 2015: INR 0.066).

ii) 199, 6 % Debentures (unquoted) of INR 1,000 each fully paid in Shree Madhu Industrial Estate Limited INR 0.199 (2016 and 2015: INR 0.199).

iii) Deposit with Shree Madhu Industrial Estate Limited INR 0.132 (2016 : INR 0.132 ; 2015: INR 0.132)

iv) Fully paid shares INR 0.006 (2016 : INR 0.006 ; 2015: INR 0.006 Million) held in a Co-operative Housing Society.

(c) Disposal includes write down of INR 217 in the value of certain plant and equipment disclosed as exceptional items (refer Note 28)

(d) Adjustments represent gross block and accumulated depreciation amounting to INR 557 and INR 32 respectively, pertaining to Bouvet Ladubay S.A.S and Chapin Landias S.A.S. which was disposed of during the year ended March 31, 2016.

Leased assets

Refer Note 40(a)

Property, plant and equipment pledged as security

Refer note 34 for information on property, plant and equipment pledged as security by the Group.

Contractual obligations

Refer note 53 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

3.2 Intangible assets

	Other Intangibles					
	Brand	Licenses	Computer software	Franchisee Rights	Total of other intangible assets	Goodwill
Year ended March 31, 2016						
Gross carrying amount						
Deemed cost as at April 1, 2015	134	6	-	3,997	**4,137**	**1,594**
Translation adjustments	(4)	-	-	-	**(4)**	**-**
Additions	-	-	-	-	**-**	**-**
Disposals	-	-	-	-	**-**	**(341)**
Closing gross carrying amount	**130**	**6**	**-**	**3,997**	**4,133**	**1,253**
Accumulated amortisation						
Amortisation charge for the year	62	2	-	93	**157**	**-**
Translation adjustments	3	-	-	-	**3**	**-**
Disposals	(2)	-	-	-	**(2)**	**-**
Impairment allowance	-	-	-	-	**-**	**128**
Closing accumulated amortisation	**63**	**2**	**-**	**93**	**158**	**128**
Net carrying amount as at March 31, 2016	**67**	**4**	**-**	**3,904**	**3,975**	**1,125**
Year ended March 31, 2017						
Gross carrying amount						
Opening gross carrying amount	130	6	-	3,997	**4,133**	**1,253**
Translation adjustments	(16)	-	-	-	**(16)**	**-**
Additions	-	32	-	-	**32**	**-**
Additions- Internal development	-	-	92	-	**92**	**-**
Disposals	-	-	-	-	**-**	**-**
Closing gross carrying amount	**114**	**38**	**92**	**3,997**	**4,241**	**1,253**

3.2 Intangible assets *(continued)*

All amounts in INR Million

	Other Intangibles					
	Brand	Licenses	Computer software	Franchisee Rights	Total of other intangible assets	Goodwill
Opening accumulated amortisation	63	2	-	93	**158**	**128**
Impairment charge for the year	45	-	-	-	**45**	**-**
Translation adjustments	(15)	-	-	-	**(15)**	**-**
Amortisation	21	4	3	93	**121**	**-**
Disposals	-	-	-	-	**-**	**-**
Impairment allowance	-	-	-	-	**-**	**445**
Closing accumulated amortisation	**114**	**6**	**3**	**186**	**309**	**573**
Net carrying amount as at March 31, 2017	**-**	**32**	**89**	**3,811**	**3,932**	**680**

Refer note 50(b) for subsidiary wise details of movement in Goodwill.

3.3 Investment Properties

All amounts in INR Million

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Gross carrying amount			
Opening gross carrying amount/ Deemed cost	672	658	867
Translation adjustment	(94)	14	(209)
Classified as held for sale [Refer Note 13]	(578)	-	-
Additions	-	-	-
Closing gross carrying amount	**-**	**672**	**658**
Accumulated depreciation	-	-	-
Opening accumulated depreciation	-	-	-
Depreciation charge	-	-	-
Closing accumulated depreciation	-	-	-
Net carrying amount	**-**	**672**	**658**

Amounts recognised in statement of profit and loss for investment properties

	For the year ended March 31, 2017	For the year ended March 31, 2016
Direct operating expenses for property that did not generate rental income	-	5
Loss from investment properties before depreciation	-	5
Depreciation	-	-
Loss from investment properties	-	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3.3 Investment Properties *(continued)*

Fair Value

All amounts in INR Million

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Investment properties	-	1,196	1,301

Estimation of fair value

The group obtains independent valuations for its investment property at least annually. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Group consider information from a variety of sources including:

(a) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

(b) discounted cash flow projections based on reliable estimates of future cash flows

(c) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence

The fair value of investment property has been determined by a valuation expert who holds relevant professional qualification and experience. The market value of the investment property has been assessed on an open market basis with the benefit of vacant possession. In the course of valuation, a direct comparison method has been adopted by making a reference to the relevant market transaction in the building wherein the investment property is located. The appropriate adjustments have been made in order to account for the differences between the subject property and the comparable in terms of time, floor level, view, condition, quality and facilities etc. The resulting fair value estimates for investment property are included in level 3.

4. Investments **All amounts in INR Million**

		As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Face value	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Non-current							
Investments in equity instruments carried at FVOCI (fully paid-up)							
In others							
Quoted							
McDowell Holdings Limited	INR 10/-	-	-	50,000	1	50,000	1
United Breweries Limited	INR 1/-	-	-	-	-	8,500,000	8,503
Mangalore Chemicals & Fertilisers Limited	INR 10/-	-	-	6,150	1	6,150	1
Housing Development Finance Corporation Limited	INR 2/-	-	-	1,200	1	1,200	2
ICICI Bank Limited	INR 2/-	-	-	44,580	11	44,580	14
HDFC Bank Limited	INR 2/-	-	-	1,000	1	1,000	1
Vijaya Bank	INR 10/-	-	-	42,100	1	42,100	2
Radico Khaitan Limited	INR 2/-	-	-	537,850	51	537,850	48
Khaitan Chemicals & Fertilisers Limited	INR 1/-	-	-	138,800	1	138,800	1
					68		**8,573**
In Associate							
Un-quoted							
Wine Soc. of India Private Limited	INR 10/-	324,812	-	324,812	-	324,812	-
Investment in mutual funds at FVPL							
Quoted							
Unit Trust of India							
UTI Balance Fund - Income - Retail (formerly known as Unit Scheme 2002)			-		14		9
Total investment in equity investments			**-**		**14**		**9**
Total Non-current investments			**-**		**82**		**8,582**
Current							
Investments in mutual funds carried at FVPL							
Quoted							
HSBC Mutual Fund			-		2		2
ICICI Prudential Liquid Fund			-		9		9
SBI - Premier Liquid Fund			-		0		0
Un-quoted							
SBI - Infrastructure			1		1		-
Total current investments			**1**		**12**		**11**
Aggregate amount of quoted investments and market value thereof			-		93		8,593

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
5.	**Loans**			
	Non-current			
	Unsecured			
	Loan to UBHL (refer Note 42)			
	Considered doubtful	13,681	13,972	14,220
	Loans to related parties [refer Note 37(c)]			
	Considered good	-	-	117
	Considered doubtful	314	276	-
		13,995	14,248	14,337
	Less: Allowance for doubtful loans	(13,995)	(14,248)	(14,220)
	Total non-current loans	**-**	**-**	**117**
6.	**Other financial assets**			
	Non-current			
	Security deposits	205	258	193
	Balances with banks [refer Note (a), (b) and (c) below]	729	268	247
	Advances to tie-up manufacturing units			
	Considered good	377	-	-
	Considered doubtful	-	128	134
		1,311	654	574
	Less: Allowance for doubtful balances	-	(128)	(134)
	Total other non-current financials assets	**1,311**	**526**	**440**

(a) Includes deposit of INR 459 (2016 : Nil and 2015 : Nil) with a bank in suspense account (refer Note 46).
(b) Includes deposit of INR 268 (2016 : INR 267 and 2015 : INR 246) with a bank kept under escrow pending resolution of various taxation matters.
(c) Margin money against bank guarantees INR 2 (2016 : INR 1, 2015: INR 1).

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Current			
Advances to Tie-up manufacturing units			
Considered good	504	1,516	1,623
Considered doubtful	415	352	708
Receivable towards sale of Property, plant and equipment			
Considered good	72	-	871
Considered doubtful	621	621	-
Loans and advances to employees			
Considered good	39	27	14
Security deposits			
Considered good	188	255	298
Considered doubtful	73	63	1,417
Receivables from related parties [refer Note 37(c)]	104	9	-
Other advances			
Considered good	140	883	1,343
Considered doubtful (refer Note 44)	257	621	2,068
	2,413	4,347	8,342
Less: Allowance for doubtful receivables	(1,366)	(1,657)	(4,193)
Total other current financial assets	**1,047**	**2,690**	**4,149**

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
7.	**Deferred tax assets (net)**			
	MAT credit receivable	-	27	-
	Deferred tax assets			
	Allowance for doubtful debts / advances / deposits	1,023	980	1,116
	Provisions	948	1,108	592
	Carried forward tax losses and unabsorbed depreciation	689	586	727
	Others	70	18	(17)
		2,730	**2,692**	**2,418**
	Deferred tax liabilities			
	Depreciation and amortisation	949	819	842
		949	819	842
	Total-deferred tax assets (net)	**1,781**	**1,900**	**1,576**

Movement in deferred tax assets	Allowance for doubtful debts / advances / deposits	Provisions	Carried forward tax losses and unabsorbed depreciation	Depreciation and amortisation	Others	Total
As at April 1, 2015	**1,116**	**592**	**727**	**(842)**	**(17)**	**1,576**
(Charged) / Credited :						
- to profit and loss	(136)	452	(141)	23	35	233
- to other comprehensive income	-	64	-	-	-	64
As at March 31, 2016	**980**	**1,108**	**586**	**(819)**	**18**	**1,873**
(Charged) / Credited :						
- to profit and loss	44	(160)	102	(130)	52	(92)
- to other comprehensive income	-	-	-	-	-	-
As at March 31, 2017	**1,023**	**948**	**689**	**(949)**	**70**	**1,781**

		As at March 31, 2017	As at March 31, 2016
8.	**Income tax balances**		
	Current tax liabilities		
	Opening balance	3,479	3,177
	Add: Current tax payable for the year	-	2,463
	Less : Reclassification from advance tax (net)	(149)	(375)
	Less : Taxes paid	(13)	(1,784)
	Closing balance	**3,317**	**3,479**
	Advance tax (net)		
	Opening balance	2,243	2,495
	Add : Taxes paid	1,987	123
	Less: Current tax payable for the year	(825)	-
	Less : Reclassification to current tax liabilities	(149)	(375)
	Closing balance	**3,256**	**2,243**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
9.	**Other assets**			
	Non-current			
	Capital advances	289	400	666
	Balances with government authorities			
	Considered good	1,122	654	654
	Considered doubtful	1,892	1,900	1,908
	Net surplus in gratuity plan [Refer Note 39(b)]	473	-	-
	Government grant	186	137	51
	Pre-paid expenses	1,891	2,111	2,345
		5,853	5,202	5,624
	Less: Allowance for doubtful balance	(1,892)	(1,900)	(1,908)
	Total other non-current assets	**3,961**	**3,302**	**3,716**
	Current			
	Indirect taxes and duties paid in advance	3,201	3,660	2,457
	Advances to Suppliers			
	Considered good	1,138	505	464
	Considered doubtful	839	938	982
	Pre-paid expenses	1,038	1,057	1,117
	Government Grants	154	732	369
	Other receivables	-	-	71
		6,370	6,893	5,460
	Less: Allowance for doubtful advances	(848)	(938)	(982)
	Total other current assets	**5,522**	**5,955**	**4,478**
10.	**Inventories**			
	(Valued at lower of cost and net realisable value)			
	Raw materials	1,989	1,914	2,670
	[including materials in transit INR 279 (2016: INR 145, 2015: INR 250)]			
	Work-in-progress	9,313	8,995	9,466
	[including held by a branch outside India INR 4,024 (2016: INR 4,271, 2015: INR 4,481)]			
	Finished goods	5,501	5,726	3,939
	[including goods in transit INR 283 (2016: INR 1,069, 2015: INR 925)]			
	Stock-in-trade	510	500	351
	[including goods in transit INR 202 (2016: INR 55, 2015: INR Nil)]			
	Packing materials	1,836	2,298	2,397
	[including materials in transit INR 59 (2016: INR 58, 2015: INR Nil)]			
	Stores and spares	127	86	83
	Total inventories	**19,276**	**19,519**	**18,906**

Amounts recognised in profit and loss

Allowance for obsolete inventories (net of write back) for the year amounted to INR 360 (2016: INR 383). The net allowance is recognised as an expense during the year and included in 'change in inventories of finished goods, work-in-progress and stock-in-trade' in statement of profit and loss. Further an allowance of INR 168 (2016: Nil) has been recognised as an expense as exceptional item [refer Note 28(a)].

For details of Inventories pledged as security refer Note 34.

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
11.	**Trade receivables**			
	(Unsecured)			
	Considered good	29,527	23,032	16,295
	Considered doubtful	1,356	1,690	3,919
		30,883	24,722	20,214
	Less: Allowance for doubtful debts (Refer note 32)	(1,356)	(1,690)	(3,919)
		29,527	**23,032**	**16,295**
	Receivables from related parties [Refer note 37(c)]			
	Considered good	7	-	88
	Total trade receivables	**29,534**	**23,032**	**16,383**
12.1	**Cash and cash equivalents**			
	Balances with banks			
	In current accounts	393	1,274	2,505
	In EEFC accounts	-	-	8
	Cheques on hand	392	11	162
	Cash on hand	-	2	2
	Total cash and cash equivalents	**785**	**1,287**	**2,677**
12.2	**Bank balances other than cash and cash equivalents**			
	In unpaid dividend accounts	12	15	17
	In unpaid public deposit accounts [refer note (a) below]	18	32	269
	Bank deposits due to mature with in 12 months from the reporting date	57	34	501
	Total bank balances other than cash and cash equivalents	**87**	**81**	**787**

Note:

(a) includes INR 11 (2016: INR 16; and 2015: INR 215) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits wherein duly discharged deposit receipts were not received from deposit holders.

13.	**Assets / Liabilities directly associated with the assets classified as held for sale**			
	Assets classified as held for sale			
	Disposal Group (Refer Note 49)	333	302	-
	Investment property (Refer Note 3.3)	578	-	-
	Property, plant and equipment (Refer Note 3.1)	328	-	1
	Other	-	1	-
	Total assets classified as held for sale	**1,239**	**303**	**1**
	Liabilities directly associated with assets classified as held for sale			
	Disposal Group (Refer Note 49)	165	128	-
	Total Liabilities directly associated with assets classified as held for sale	**165**	**128**	**-**

Description of the facts and circumstances which led to classification as held for sale

The Group has identified certain properties, vehicles etc. as non-core to its operations. The planned assets are readily available for sale and an active programme to locate the buyer and complete the sale has been initiated by the management. Refer Note 49 for Disposal Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
14. Equity Share capital			
Authorised			
548,000,000 (2016: 548,000,000 ; 2015: 395,000,000) Equity Shares of INR 10/- each	5,480	5,480	3,950
159,200,000 (2016: 159,200,000; 2015: 159,200,000) Preference Shares of INR 10/- each	1,592	1,592	1,592
1,200,000 (2016: 1,200,000; 2015: Nil) 7% Non Cumulative Redeemable Preference Shares of INR 100/- each	120	120	-
	7,192	**7,192**	**5,542**
Issued, subscribed and paid-up			
145,327,743 (2016: 145,327,743; 2015: 145,327,743) Equity Shares of INR 10/- each fully paid up	1,453	1,453	1,453
	1,453	**1,453**	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2017	No. of Shares	As at March 31, 2016	No. of Shares	As at April 1, 2015
Balance at the beginning of the year	145,327,743	1,453	145,327,743	1,453	145,327,743	1,453
Add: Equity shares issued during the year	-	-	-	-	-	-
Balance at the end of the year	145,327,743	1,453	145,327,743	1,453	145,327,743	1,453

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of INR 10/- per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

(c) Shares held by holding company and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by the holding company and it's subsidiaries / associates are as below:

	No. of Shares	As at March 31, 2017	No. of Shares	As at March 31, 2016	No. of Shares	As at April 1, 2015
Relay B V (wholly owned subsidiary of Diageo Plc) *	79,612,346	796	79,612,346	796	79,612,346	796
	79,612,346	**796**	**79,612,346**	**796**	**79,612,346**	**796**

* On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo group setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares in the Company to Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of special leave petition(s) (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Relay B V.

(d) Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

14. Equity Share capital *(continued)*

(e) Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B V	79,612,346	54.78%	79,612,346	54.78%	79,612,346	54.78%

(f) During the financial year 2005 – 06, the Company had issued 17,502,762 global depository shares (GDSs) representing 8,751,381 equity shares with 2 GDSs representing 1 equity share of face value of INR 10/- each at US$ 7.4274 per GDS, aggregating to US$ 130 million, listed on the Luxembourg stock exchange. These GDSs did not carry any voting rights. The Company during the year has terminated the deposit agreement in respect of the GDSs and the same has been communicated to the Luxembourg Stock Exchange with the objective of delisting these GDSs listed with Luxembourg stock exchange. There are no GDS outstanding as at March 31, 2017. Notwithstanding this development, the number of shares outstanding or issued and subscribed in the share capital of the Company remains unchanged and the Company's shares continue to be listed with the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

(g) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

(h) There are no bonus shares issued, bought back during the period of five years immediately preceding the reporting date.

(i) Details of shares in the Company held by Company, subsidiaries or associates

	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit trust [refer Note (i) below]	**3,459,090**	**2.38%**	3,459,090	2.38%	3,459,090	2.38%

Note (i): Investment as a sole beneficiary in USL benefit trust was made as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, for amalgamating various companies with the United Spirits Limited. The trust has been established for the exclusive benefit of the Company and holds 3,459,090 shares of the Company. As per the terms of the aforesaid scheme of arrangement, the Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. By virtue of the definition of control, the Group has consolidated this trust. Also refer Notes 34 and 46 for assets pledged.

15.1 Reserves and surplus

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Capital reserve arising from common control transaction	5,675	5,675	5,675
Capital redemption reserve	699	699	699
Securities premium account	45,682	45,682	45,682
Treasury shares	(1,197)	(1,197)	(1,197)
Central subsidy	48	48	48
Contingency reserve	110	110	110
Employee housing fund	1	1	1
General reserve	10,408	10,408	10,408
Foreign currency translation reserve	186	215	-
Share based incentive reserve	40	-	-
Retained earnings	(45,248)	(46,814)	(56,621)
	16,403	**14,827**	**4,804**

15.2 Other reserves

FV OCI - Equity Instruments	-	68	8,417
	-	**68**	**8,417**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

16. Borrowings

Maturity date	Terms of repayment	Coupon/interest rate	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Non-current borrowings					
Secured					
Term loans					
The entire loan has been repaid in the current year.	Single repayment at the end of the term	10.85%	-	5,000	5,000
The entire loan has been repaid in the current year.	Repayable in 21 equal quarterly installments commencing from March, 2013	13.75%	-	110	277
This pertains to a subsidiary which has been sold during the year ended March 31, 2016.	Repayable in 15 years with a moratorium of 5 years from the date of loan i.e. October 10, 2007.	5%	-	-	298
Finance lease obligations (Refer Note 40(a) below)					
2015 - 2020	Monthly installments	3% - 10%	135	100	109
Unsecured					
Term loans from banks					
January 5, 2018	Single repayment at the end of the term of the loan	MCLR + 20bps (presently 7.9%)	3,500	3,500	3,500
June 29, 2018	Single repayment at the end of the term of the loan	MCLR + 20bps (presently 7.9%)	3,500	3,500	-
March 3, 2020	Single repayment at the end of the term of the loan	MCLR + 20bps (presently 7.9%)	5,000	-	-
September 9, 2016	Repayable in 2 equal instalments.	11.5%	-	-	3,791
September 9, 2016	This relates to a subsidiary which has been disposed during the year ended March 31, 2017	0.9% - 2.47%	-	-	20
Term loans from others					
September 2016	Terms of repayment not stipulated	Interest free	86	87	82
Deferred Sales tax					
2024-25	Repayable over a period of fourteen years starting from the end of the tenth year i.e. 2010-11	Interest free	146	159	183
			12,367	**12,456**	**13,260**
Less: Current maturities (Refer notes 17)					
Secured					
Term loan from banks			-	5,096	205
Finance lease obligation			66	43	34
Unsecured					
Term loan from banks			3,500	-	1,896
Term loan from others			86	-	-
Deferred Sales tax liability			18	12	8
Total non current borrowings			**8,697**	**7,305**	**11,117**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

16. Borrowings *(continued)*

All amounts in INR Million

Maturity date	Terms of repayment	Coupon/interest rate	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Current borrowings					
Secured					
Term loans from banks [refer note (b) below]					
April 2017 - May 2017	Single repayment at the end of the term of the loan	7.9%	4,750	6,650	4,800
Working capital loans from Banks					
Payable on demand [refer note (b) below]	Payable on demand	7.9%	3,099	6,291	15,913
Payable on demand [refer note (c) below]	Payable on demand	9.4% to 12.45%	-	28	323
Unsecured					
Term loans from banks					
April 2017 - May 2017	Single repayment at the end of the term of the loan	8.25%	200	-	-
April 2017 - May 2017	Single repayment at the end of the term of the loan	7.9% - 7.95%	3,500	12,250	13,000
April 2017 - May 2017	Single repayment at the end of the term of the loan	7.9% - 8%	4,750	4,750	2,500
Working capital loan from Banks					
Payable on demand	Payable on demand	9.25%	597	-	-
Commercial papers issued to bank and others					
May 2017 - November 17	Single repayment at the end of the term of each commercial paper	6.7% - 7.1%	12,173	-	-
Total current borrowings			**29,069**	**29,969**	**36,536**

Notes: Secured borrowings and assets pledged as security

a) Finance lease obligations are secured by assets underlying the finance lease [refer Note 40(a)]

b) Working capital loans and certain short term loans of USL are secured by hypothecation of inventories (excluding maturation stock held by third party in UK) and book debts.

c) Certain working capital loans of subsidiaries are secured by hypothecation of current assets and book debts of respective subsidiaries.

d) The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
17.	**Other financial liabilities**			
	Non-currernt			
	Capital creditors	-	84	251
	Term liability towards franchisee rights (refer note 59)	-	308	759
	Total other non-current financial liabilities	**-**	**392**	**1,010**
	Current			
	Current maturities of			
	Borrowings (Refer Note 16)	3,586	5,096	2,101
	Finance lease obligation (Refer Note 16)	66	43	34
	Deferred sales tax liability	18	12	8
	Interest accrued but not due	109	113	170
	Unpaid / unclaimed dividends*	12	14	17
	Unpaid / unclaimed debentures*	0	0	0
	Unpaid / unclaimed public fixed deposits (Including accrued interest)**	18	32	261
	Others			
	Security deposits	154	185	210
	Liability for customer claim (refer Note 47)	3,280	250	-
	Liability towards franchisee rights	-	446	446
	Due to tie-up manufacturing units	905	578	417
	Capital creditors	388	703	426
	Employee payables	1,039	755	658
	Total other current financial liabilities	**9,575**	**8,227**	**4,748**

* Investor Education and Protection Fund (IEPF) shall be credited when due. As at March 31, 2017 no balances were due to be transferred to IEPF.

** Includes unclaimed public fixed deposit of INR 11 (2016: INR 16, 2015: INR 215) in case of which the duly discharged fixed deposit receipts are not surrendered by the deposit holders.

		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
18.	**Provisions**			
	Non-Current			
	Employee benefits			
	Shortfall in provident fund trust [refer Note 39(b)]	-	40	97
	Compensated absences [refer Note 39(f)]	397	625	545
	Gratuity [refer Note 39(b)]	12	-	-
	Pension liability [refer Note 39(b)]	16	18	19
	Share appreciation rights (refer Note 35)	17	-	-
	Total non current provisions	**442**	**683**	**661**
	Current			
	Employee benefits			
	Gratuity [refer Note 39(b)]	2	381	602
	Compensated absences [refer Note 39(f)]	108	160	171
	Pension liability [refer Note 39(b)]	2	-	2
	Provision for indirect taxes (Refer Note below)	2,565	1,842	1,570
	Provision for onerous contracts (refer Note below)	75	-	-
	Total current provisions	**2,752**	**2,383**	**2,345**

18. Provisions *(continued)*

All amounts in INR Million

Note :

Movement in Provisions

Description	As at April 1, 2016	Additions	Amounts used	As at March 31, 2017
Indirect taxes	1,842	783	60	**2,565**
Onerous contract (refer Note 47)	-	75	-	**75**

Description	As at April 1, 2015	Additions	Amounts used	As at March 31, 2016
Indirect taxes	1,570	364	92	**1,842**

Provision is made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

19. Trade payables

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Trade creditors	11,262	9,824	9,176
Dues to related parties [refer Note 37(c)]	985	365	255
Total trade payables	**12,247**	**10,189**	**9,431**

20. Other current liabilities

Advances from customers	883	139	452
Statutory dues	2,172	2,197	1,240
Liability of excise duty on closing finished goods inventory (net)	1,809	1,798	890
Government grant	-	1	1
Total other current liabilities	**4,864**	**4,135**	**2,583**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

	For the year ended March 31, 2017	For the year ended March 31, 2016
21. Revenue from operations		
Sale of products (including excise duty)	254,685	235,962
Income from brand franchise	528	686
Income from BCCI-IPL franchise	1,614	1,349
Other operating revenue:		
Scrap sales	439	340
Income from Government grant*	166	813
Miscellaneous	136	59
Total revenue from operations	**257,568**	**239,209**

* Represents Maharashtra Value added tax (MVAT) incentive from Govt of Maharashtra under Industrial promotion subsidy (IPS)

22. Other income		
Interest income on financial assets held at amortised cost	197	49
Dividend income from investments measured at FVPL	1	2
Lease rent	-	21
Gain on disposal of property, plant and equipment (net)	337	6
Liabilities, provisions or allowances no longer required written back	514	349
Miscellaneous income	4	9
Total other Income	**1,053**	**436**

23. Cost of materials consumed		
Raw materials	28,561	29,423
Packing materials	18,194	17,946
Total cost of materials consumed	**46,755**	**47,370**

24. Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening inventory:		
Finished goods [Includes INR 21 (2016: Nil) for USL Nepal; refer Note 49]	5,747	3,939
Work-in-progress [Includes INR 20 (2016: Nil) for USL Nepal; refer Note 49]	9,015	9,466
Stock-in-trade	500	351
Total opening balance	**15,262**	**13,756**
Less: Stocks of subsidiaries disposed on sale [refer Note 51(b)]		
Finished Goods	-	80
Work-in-Progress	-	891
Stock-in-trade	-	-
	-	**971**
Closing inventory:		
Finished goods [Includes INR 49 (2016: INR 21) for USL Nepal; refer Note 49]	5,550	5,747
Work-in-progress [Includes INR 22 (2016: INR 20) for USL Nepal; refer Note 49]	9,335	9,015
Stock-in-trade	510	500
Total closing balance	**15,395**	**15,262**
Increase/ (decrease) in excise duty on finished goods (net)	701	886
Total Changes in inventories of finished goods, work-in-progress and stock-in-trade	**568**	**(1,591)**

All amounts in INR Million

		For the year ended March 31, 2017	For the year ended March 31, 2016
25.	**Employee benefits expense**		
	Salaries, wages and bonus	5,939	5,749
	Contribution to provident and other funds [refer Note 39(a)]	217	258
	Contribution towards interest shortfall in PF trusts [refer Note 39(b)]	160	175
	Gratuity [refer Note 39(b)]	185	156
	Share based payment expense [refer Note 35]	57	-
	Staff welfare expenses	324	463
	Total Employee benefits expense	**6,882**	**6,800**
26.	**Finance costs**		
	Interest and finance charges on financial liabilities at amortised cost (borrowings)	3,751	4,574
	Total Finance costs	**3,751**	**4,574**
27.	**Other expenses**		
	Consumption of stores and spares	219	168
	Direct expenses on IPL franchise	1,077	1,083
	Sub-contracting wages	809	782
	Power and fuel	348	360
	Rent [refer Note 40(b)]	2,106	1,510
	Repairs and maintenance:		
	Buildings	40	67
	Plant and machinery	205	216
	Others	327	301
	Insurance	114	131
	Rates and taxes #	2,314	2,198
	Travel and conveyance	484	503
	Legal and professional	1,782	1,060
	Freight outwards	2,329	2,092
	Royalty	80	68
	Trade mark license fees	582	576
	Loss on disposal of property, plant and equipment (net)	-	17
	Exchange loss (net)	146	157
	Remuneration to non-executive directors:		
	Sitting fee	7	15
	Commission	22	13
	Bad debts / advances / deposits written off [net of write back of provision of INR 335 (2016: Nil)]	20	-
	Provision for doubtful debts / advances / deposits	75	917
	IT and Communication expenses	446	342
	Administrative expenses	320	249
	Distribution costs	1,331	1,310
	Miscellaneous expenses	187	642
	Total Other expenses	**15,370**	**14,777**

includes provision for demands in respect of indirect taxes (Refer note 18)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

		For the year ended March 31, 2017	For the year ended March 31, 2016
28.	**Exceptional items (net)**		
	(a) Provision towards matters arising consequent to prohibition in the state of Bihar (refer Note 48)	(377)	(107)
	(b) Write down in the value of plant and equipment (refer Note 3.1 and 41)	(217)	-
	(c) Allowances for doubtful receivable towards sale of property, plant and equipment	-	(316)
	(d) Customer claim (refer Note 47)	(2,645)	-
	(e) Reversal of provision against claims (refer Note 41)	28	-
	(f) Allowance for doubtful receivables towards sale of property, plant and equipment (refer Note 41)	370	6,209
	(g) Bad and doubtful advances, deposit and trade receivables written off (refer Note 41)	(358)	(5,666)
	(h) Impairment of Goodwill [refer Note 50(b)]	(445)	(128)
	(i) Provision for advance to associate	(37)	(157)
	(j) Loss on disposal of subsidiaries	-	(110)
	Total Exceptional items (net)	**(3,681)**	**(274)**
29.	**Reconciliation of tax expense and accounting profit**		
	Profits before income tax expense	1,627	3,662
	Tax calculated at the domestic rates applicable in the country concerned	921	1,308
	Tax effects of amounts which are not deductible / (taxable) in calculating taxable income:		
	- Deduction for investment allowance u/s 32AC	(89)	(37)
	- Non deductible expenses (Donations,CSR etc)	51	8
	- Short term capital gain on vehicles	20	-
	- Deferred tax credit on indexation benefit	(23)	-
	- Non taxable income	(57)	(29)
	- Impairment/ provision on investment in subsidiaries and loans and advances (including reversals)	21	485
	Movement in unrecognised deferred tax on accumulated tax losses	(134)	-
	- Tax relating to earlier years	-	568
	- Provision/ write off (including reversals) relating to certain receivables considered exceptional in nature	(16)	(166)
	- Tax on sale of interest in subsidiary	-	105
	- Others	3	(14)
	Income tax expense as per Statement of Profit and Loss	**697**	**2,228**
	(a) Tax losses		
	Unused tax losses for which no deferred tax asset has been recognised (Refer note below)	5,377	4,721
	Potential tax benefit at rates applicable in the country concerned	1,861	1,634

Note: The unused tax losses were incurred by subsidiaries which are not likely to generate taxable income in the foreseeable future.

30.	**Earnings per share**		
	Nominal value of equity shares (INR per share)	10/-	10/-
	(a) Profits attributed to equity holders of the Company	1,001	1,383
	(b) Weighted average number of equity shares used as denominator (refer Note below)	141,868,653	141,868,653
	(c) Basic and diluted earnings per share (INR per share)	7.06	9.75
	There are no dilutive equity shares in the Group.		

Note:

In calculating the weighted average number of outstanding equity shares during the year, Group has reduced the own shares i.e. 3,459,090 shares (2016: 3,459,090 shares) held by USL Benefit Trust (of which Company is the sole beneficiary), as the investment in the said trust has been accounted under a scheme approved by courts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

31. Fair value measurements:

All amounts in INR Million

Financial instruments by category

Particulars	As at March 31, 2017			As at March 31, 2016			As at April 1, 2015		
	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL
Financial assets (net of allowances)									
Investments									
Equity instruments - (quoted)	-	-	-	68	-	-	8,573	-	-
Mutual funds	-	-	1	-	-	26	-	-	20
Loans	-	-	-	-	-	-	-	117	-
Trade receivables	-	29,534	-	-	23,032	-	-	16,383	-
Cash and cash equivalents	-	785	-	-	1,287	-	-	2,677	-
Bank balances other than cash and cash equivalents	-	816	-	-	349	-	-	1,034	-
Other financial assets									
Security deposits	-	393	-	-	513	-	-	491	-
Advances to tie-up manufacturing units	-	881	-	-	1,516	-	-	1,623	-
Receivable towards sale of Property, plant and equipment	-	72	-	-	-	-	-	871	-
Loans and advances to employees	-	39	-	-	27	-	-	14	-
Receivable from related parties	-	104	-	-	9	-	-	-	-
Other advances	-	140	-	-	883	-	-	1,343	-
Total financial assets	**-**	**32,764**	**1**	**68**	**27,616**	**26**	**8,573**	**24,553**	**20**
Financial liabilities									
Borrowings	-	41,436	-	-	42,425	-	-	49,796	-
Trade payables	-	12,247	-	-	10,189	-	-	9,431	-
Other financial liabilities									
Interest accrued but not due	-	109	-	-	113	-	-	170	-
Unpaid / unclaimed debentures	-	0	-	-	0	-	-	0	-
Unpaid/unclaimed dividends	-	12	-	-	14	-	-	17	-
Unpaid / unclaimed public fixed deposits (Including accrued interest)	-	18	-	-	32	-	-	261	-
Security deposits	-	154	-	-	185	-	-	210	-
Liability for customer claim	-	3,280	-	-	250	-	-	-	-
Due to tie-up manufacturing units	-	905	-	-	578	-	-	417	-
Capital creditors	-	388	-	-	788	-	-	677	-
Liability towards franchisee rights	-	-	-	-	754	-	-	1,205	-
Employee payables	-	1,039	-	-	755	-	-	658	-
Total financial liabilities	**-**	**59,588**	**-**	**-**	**56,082**	**-**	**-**	**62,842**	**-**

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under Ind AS 109 and all financial instruments measured at fair value fall under Level 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

31. Fair value measurements *(continued)* All amounts in INR Million

Financial assets measured at fair value - recurring fair value measurements

	Notes	Level 1		
		As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Listed equity investments FVOCI	4	-	68	8,573
Mutual funds FVPL	4	1	26	20
Total financial assets		**1**	**94**	**8,593**

The carrying amounts of trade receivables, deposits and advances, trade payables, borrowings, capital creditors, dues to employees and other parties and cash and cash equivalents are same as their fair values, due to their short-term nature.

An explanation of each level follows is provided below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and mutual funds that have quoted price. The fair value of all equity instruments which are traded on the stock exchanges is valued using the closing price as at the reporting date. The mutual funds are valued using the closing NAV (Net Asset value).

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The above amounts exclude assets and liabilities pertaining to United Spirits Nepal Private Limited which have been classified as "Assets held for sale" and "Liabilities associated with the assets classified as held for sale" respectively.

32. Financial risk management

The Group's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks and financial institutions, trade receivables, derivative financial instruments and financial assets measured at amortised cost	Aging analysis	Diversification of bank deposits and monitoring credit limits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk — foreign exchange	Future commercial transactions, Financial assets and liabilities not denominated in functional currency of respective Group companies.	Cash flow forecasting Sensitivity analysis	Forward foreign exchange contracts
Market risk — interest rate	Long-term borrowings at variable rates	Sensitivity analysis of interest rates	Diversified portfolio of fixed and variable interest rate loans
Market risk — security prices	Investments in equity securities	Sensitivity analysis	Continuous monitoring

The Group's risk management is carried out by a central treasury department under policies approved by the Board of Directors of the Company. Central treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's other functions. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

32. Financial risk management *(continued)* All amounts in INR Million

(A) Credit risk

Credit risk arises from cash and cash equivalents, financial assets measured at amortised cost and deposits with banks and financial institutions, as well as credit exposures to trade receivables.

Credit risk management

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financials loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to INR 29,534 (2016: INR 23,032, and 2015: INR 16,383) respectively.

Trade receivables are typically unsecured and are derived from revenue earned from 2 main classes of trade receivables, receivable from sales to government corporations and receivables from sales to private third parties.

Receivables from government corporation customers amounted to INR 18,985 (2016: INR 12,059; 2015: INR 9,286) and private customers amounted to INR 10,549 (2016: INR 10,973; 2015: INR 7,097). Receivable from government corporation customers amounted to 64% (2016: 52%; 2015: 57%) and receivable from private customers amounted to 36% (2016: 48%; 2015: 43%) of total trade receivables.

Credit risk is managed by the Group through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to which the Group grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Group uses an expected credit loss model to assess the impairment loss or gain. The Group uses a provision matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account available external and internal credit risk factors such as regulatory developments which may impact the customer's ability to repay, and the Group's historical experience for each of its customers.

At March 31, 2017, the company was exposed to trade receivables of INR 29,534 (2016: INR 23,032 and 2015: INR 16,383) against which the Company is carrying an expected credit loss allowance of INR 1,356 as at the year end (2016: INR 1,690 and 2015: INR 3,919).

Reconciliation of loss allowance for trade receivables:

Particulars	March 31, 2017	March 31, 2016
Balance at the beginning of the year	1,690	3,919
Loss allowance recognised	180	32
Write offs	(514)	(2,261)
Balance at the year end (Refer Note 11)	**1,356**	**1,690**

The Company's financial assets also include investments, loans, advances and deposits amounting to INR 3,231 (2016: INR 4,678 and 2015: INR 16,763).

The Group actively monitors the performance of each party to whom loans has been advanced, and based on the historical performance and future anticipated cash flows, the ability of the entity to generate sufficient cash flows to service its loan commitments to the Group is assessed. Where the Group believes that the entity will not be able to service its loan commitments over the next 12 months or over the lifetime of the loan, a suitable provision for impairment of the loan receivable is created.

Reconciliation of loss allowance measured at life-time expected credit losses for credit impaired financial assets other than trade receivables

Particulars	March 31, 2017	March 31, 2016
Balance at the beginning of the year	16,033	18,547
Loss allowance recognised	457	181
Write of (net off write backs)	(1,129)	(2,695)
Balance at the year end	**15,361**	**16,033**

Significant estimates and judgements in Impairment of financial assets

The impairment provisions for financial assets disclosed above are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

32. Financial risk management *(continued)* All amounts in INR Million

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. A prudent liquidity risk management is to ensure maintaining the required cash and / or have access to funds required through committed banking lines from banks or markets to address such risks, when they arise.

(i) Group has developed three year 'Capital structure and funding strategy' with an objective to gauge potential risk, project and strategically address funding needs, among others and ensure continued operations within acceptable tolerance limits.

(ii) Treasury team monitors rolling forecasts of the Group's liquidity position on a periodic basis. Funds are optimally used through centralised cash management system across the Group and deficit if any are availed from the undrawn committed borrowing facilities (as below). Internal stake holders are aligned to provide 'early warning' surprises should they occur, so as to enable treasury to pro-actively align the appropriate source and cost of borrowing to mitigate funding and interest risk (comprising the undrawn borrowing facilities below).

(iii) Management has planned monetisation of certain non-core assets to infuse liquidity and reduce debts, thereby freeing up the banking lines to access in future, if required.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at end of the reporting period:

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Floating rate Expiring within one year (cash credit/ working capital demand loans)	16,265	11,185	3,405

The above facilities may be drawn at any time and repayable on demand. The Group has fully utilized fixed rate borrowing facilities as at the end of each of the reporting periods

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

March 31, 2017

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	22,292	3,681	8,056	4,161	5,593	**43,783**
Obligation under finance lease	18	18	37	46	28	**147**
Trade payables	12,247	-	-	-	-	**12,247**
Other financial liabilities	5,905	-	-	-	-	**5,905**
Total liabilities	**40,462**	**3,699**	**8,093**	**4,207**	**5,621**	**62,082**

March 31, 2016

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	10,894	14,348	12,000	4,158	3,999	**45,399**
Obligation under finance lease	12	12	24	48	13	**109**
Trade payables	10,189	-	-	-	-	**10,189**
Other financial liabilities	3,076	-	-	392	-	**3,468**
Total liabilities	**24,171**	**14,360**	**12,024**	**4,598**	**4,012**	**59,165**

32. Financial risk management *(continued)* All amounts in INR Million

April 1, 2015

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	14,059	3,811	25,318	5,836	3,999	**53,023**
Obligation under finance lease	10	10	21	40	43	**124**
Trade payables	9,431	-	-	-	-	**9,431**
Other financial liabilities	2,606	-	-	617	392	**3,615**
Total liabilities	**26,106**	**3,821**	**25,339**	**6,493**	**4,434**	**66,193**

(C) Cash flow and fair value interest rate risk

Group's main interest rate risk arises from Long-Term borrowings with variable rates, which expose the Group cash flow interest rate risk.

Presently interest rates seems to be bottomed out and the Group expects this to be stable in the near term. In view of this, the Group has kept long term borrowings at variable interest rate, however the Group has an option to exit at the end of interest reset period which is one month. This allows flexibility and insulates the Group from adverse movements.

Majority of the Group's short term and long term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and are already fair valued.

The exposure of the Group's borrowings to interest rate changes at the end of reporting period are as follows:

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Variable rate borrowings	41,069	36,970	40,056
Fixed rate borrowings	135	5,208	9,491
Interest free borrowings	232	246	265
Total borrowings	**41,436**	**42,424**	**49,812**

Sensitivity

Profit or loss is sensitive to higher / lower interest expense from borrowings as a result of changes in interest rates.

Interest rates	Impact on Profit after tax	
	Year ended March 31, 2017	Year ended March 31, 2016
Increase by 50 bps	(131)	(102)
Decrease by 50 bps	131	102

(D) Foreign currency risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, EUR and GBP. Foreign Exchange risk arises from future commercial transactions, assets and liabilities denominated in a currency that is not the functional currency of the respective Group companies. The risk is measured through a forecast of highly probable foreign currency cash flows.

Foreign currency risk management

The Group's risk management policy is to assess the Group's net exposures which is mainly represented by receivable towards exports and payable towards imports.

The Group hedges its net exposures with a view on forex outlook. The Group's overall forex net exposures is not material and given that INR is stable against USD and strengthening against GBP, we have kept our exposures presently open. However, the present forex policy is being revised to assess the exposures in a robust and structured manner and align mitigation plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

32. Financial risk management *(continued)*

All amounts in INR Million

Foreign currency risk exposure:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in INR is as follows:

	As at March 31, 2017			As at March 31, 2016			As at April 1, 2015		
Financial assets	**USD**	**GBP**	**EUR**	**USD**	**GBP**	**EUR**	**USD**	**GBP**	**EUR**
Trade receivables	131	-	-	405	-	-	625	-	-
Non-current loans	-	123	-	-	903	-	-	951	-
Balances in EEFC account	-	-	-	-	-	-	-	8	-
Derivative assets									
Foreign exchange forward contract	-	-	-	(41)	-	-	(39)	-	-
Net Exposure to foreign currency risk (assets)	**131**	**123**	**-**	**364**	**903**	**-**	**586**	**959**	**-**
Financial Liabilities									
Trade payables	106	100	-	257	188	-	38	143	1
Net Exposure to foreign currency risk (liabilities)	**106**	**100**	**-**	**257**	**188**	**-**	**38**	**143**	**1**

Impact on Profit after Tax

The sensitivity of profit or loss due to changes in exchange rates arises mainly from foreign currency denominated net trade exposures. There is no material impact on foreign currency loans given to subsidiaries as they are largely provided for.

Sensitivity - foreign currency

	Year ended March 31, 2017			Year ended March 31, 2016		
	USD	**GBP**	**EUR**	**USD**	**GBP**	**EUR**
Currency increases by 5%	1	1	-	23	(1)	-
Currency decreases by 5%	(1)	(1)	-	(23)	1	-

The above amounts exclude assets and liabilities pertaining to United Spirits Nepal Private Limited which have been classified as "Assets held for sale" and "Liabilities associated with the assets classified as held for sale" respectively.

33. Capital management

Risk management

The Group's objectives when managing capital is to:

a) have a balanced financial profile from short term (1 year) to mid-term (3 years) for sustainable leverage, providing;
- Headroom for future growth / expansion
- Financial flexibility in case of adverse business cycles

b) ensure the capital structure is at competitive advantage when compared to peers and other sector players through optimum debt mix through:
- Diversification of funding sources to manage liquidity and rollover risk
- Financial flexibility in case of adverse business cycles

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Net Debt	40,651	41,137	47,135
Total Equity	17,831	16,403	14,682
Net debt to equity ratio	**2.28**	**2.51**	**3.21**

The above amounts exclude assets and liabilities pertaining to United Spirits Nepal Private Limited which have been classified as "Assets held for sale" and "Liabilities associated with the assets classified as held for sale" respectively.

34. Assets pledged as security

All amounts in INR Million

The carrying amounts of assets pledged as security for current and non-current borrowings are as follows:

Current	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Financial assets				
Floating charge				
Investments	4	-	11	11
Trade receivables	11	29,605	23,140	16,510
Cash and cash equivalents	12.1	439	48	1,821
Bank balances other than cash and cash equivalents	12.2	54	33	69
Other financial assets	6	1,729	3,235	5,305
Non-financial assets				
Floating charge				
Inventories	10	14,514	14,862	12,864
Other current assets (excluding taxes paid in advance)	9	3,518	2,062	2,061
Non-current assets				
Buildings	3.1	-	458	865
Plant and equipment and capital work-in-progress	3.1	-	6,502	6,792
Total of above		**49,859**	**50,351**	**46,298**

The carrying amounts of assets classified as held for sale not included in the table above, pledged as security in respect of borrowings for United Spirits Nepal Private Limited are as follows:

Current	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Non-current assets				
Land and Buildings	3.1	14	15	15
Plant and equipment and capital work-in-progress	3.1	31	30	33
Total of above		**45**	**45**	**48**
Total borrowings	16	**23**	**-**	**1**

Further the carrying amounts of the following assets (not included in the above tables) have been pledged with a bank with whom the Company is involved in litigation (Refer note 46)

Non-current	Notes	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
First charge				
Freehold land	3.1	1,198	1,198	1,198
Freehold building	3.1	856	658	505
Lease hold land	3.1	40	61	61
Plant and equipment	3.1	779	732	432
Investments as a sole beneficiary in USL Benefit Trust	4.1	1,197	1,197	1,197
Certain brands of the Company		-	-	-
Total Non-current assets pledged as security		**4,070**	**3,846**	**3,393**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

35. Share based payments All amounts in INR Million

Diageo Incentive Plan (DIP)

DIP is a one-time long term incentive scheme for select employees who were active on the Company's payroll on September 1, 2016. A single grant was made in September 2016 with zero pay out for any leaver prior to vesting in September 2019 (vesting period – 3 years). Diageo Plc's share options (one option equivalent to one share) were granted to such employees as a percentage of salary. Vesting is subject to conditions such as continuity of employment, Diageo's productivity and NSV growth and individual's net promoter score. As at March 31, 2017 such outstanding share options were 97,904 (2016: Nil) and the charge recorded for the current year included in employee benefit expense was INR 40 (2016: Nil). The carrying amount of liability of INR 40 has been included in other equity (Refer note 15).

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employee reward to the Company's share price performance. Under this plan, the Company grants stock appreciation rights (based on the Company's share price) to select employees. The grant is made in September every year, as a percentage of salary. Cash pay-out equivalent to the value of shares will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs was determined using the Black-Scholes model using the following inputs at the grant date and as at March 31, 2017:

	As at March 31, 2017
Number of share appreciation rights outstanding	47,445
Share price at measurement date (INR per share)	2,313
Expected volatility (%)	10.83
Dividend yield (%)	-
Risk-free interest rate (%)	6.69
Carrying amount of liability - included in non-current provision for employee benefits. (Refer note 18)	17
Expenses recorded for the year under Employee benefits expense	17

There were no SARs granted in prior years and none of the SARs had vested as at March 31, 2017.

36. Segment reporting

Segment Information

The Group is primarily engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines) including through Tie-up units/brand franchisees. The Group has identified the Executive Committee of the Company as the Chief Operating Decision Maker. The Executive Committee assesses performance and allocates resources for 'Prestige and above' and 'Popular' brand segments. 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.

As the Group operates in a single operating segment, the reporting disclosures as envisaged in Indian Accounting Standards (Ind AS 108) on 'Operating Segments' are not applicable to the Company. However, the geographical information disclosures as envisaged in Ind AS 108 are disclosed below:

India: The 'India' segment is primarily engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units / brand franchisees within India.

Outside India: The 'Outside India' segment is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines) including through Tie-up units / brand franchisees outside India.

The Group does not have revenues from transactions with a single external customer amounting to more than ten percent or more of the Company's revenues.

The following information discloses external revenues and non-current assets based on the physical location of the customer and asset respectively.

Geographic segment	March 31, 2017			March 31, 2016		
	India	Outside India	Total	India	Outside India	Total
External revenue	254,926	2,642	257,568	235,446	3,763	239,209
Non-current assets	31,359	109	31,468	29,509	905	30,414

37. Related party disclosures

(a) Names of related parties and description of relationship

(i) **Parent entities of the Company**

- Diageo Plc. (Ultimate Holding company)
- Relay B V (Holding company)

Pursuant to the settlement agreement entered on February 25, 2016 by the Company with Dr. Vijay Mallya, erstwhile Chairman and non-executive director, the parties mentioned below have not been considered as related parties post the settlement date. (Refer note 43 and 56)

- United Breweries (Holdings) Limited
- Kingfisher Finvest India Limited
- City Properties Maintenance Company Bangalore Limited
- United Breweries Limited

(ii) **Fellow subsidiaries of the Company**

- Diageo Scotland Limited
- Diageo India Private Limited
- Diageo Brands BV
- Diageo Vietnam Limited
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Pte Limited
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Limited
- UDV Kenya Limited
- Diageo Business Services India Private Limited

(iii) **Employees' Benefit Plans:**

- McDowell & Company Limited Staff Gratuity Fund (McD SGF)
- McDowell & Company Limited Officers' Gratuity Fund (McD OGF)
- Phipson & Company Limited Management Staff Gratuity Fund (PCL SGF)
- Phipson & Company Limited Gratuity Fund (PCL GF)
- Carew & Company Ltd. Gratuity Fund (CCL GF)
- McDowell & Company Limited Provident Fund (McD PF)
- Shaw Wallace & Associated Companies Employees Gratuity Fund (SWCEGF)
- Shaw Wallace & Associated Companies Executive Staff Fund (SWCSGF)
- Shaw Wallace & Co. Associated Companies Provident Fund (SWCPF)
- Pioneer Distilleries Employees Gratuity Trust
- United Spirits Superannuation Fund (with effect from 15 June 2015)

Refer note 39 for information on transactions with post-employment benefit plans mentioned above.

(iv) **Key management personnel**

Non-executive directors of the Company

- Mahendra Kumar Sharma
- Indu Ranjit Shahani
- Rajiv Gupta
- Sivanandhan Dhanushkodi
- Nicholas Bodo Blazquez (till January 21, 2017)
- Vegulaparanam Viswanathan (w.e.f October 16, 2016)
- John Thomas Kennedy (w.e.f August 17, 2016)
- Randall David Ingber (w.e.f February 2, 2017)
- Vinod Rao (w.e.f May 24, 2016)
- Ravi Rajagopal (till October 13, 2016)
- Vijay Mallya (till February 25, 2016)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

37. Related party disclosures *(continued)*

All amounts in INR Million

Executive directors of the Company

- Anand Kripalu (Managing Director & Chief Executive Officer)
- Sanjeev Churiwala (Chief Financial Officer) (w.e.f. April 1, 2017)
- P A Murali (Chief Financial Officer) (till April 22, 2015)

(b) Summary of the transactions with related parties

	For the year ended March 31,2017	For the year ended March 31,2016
Sale of products (including excise duty)		
Fellow subsidiaries		
Guinness Nigeria Limited	24	-
Total - Sale of products	**24**	**-**
Purchase of traded goods		
Fellow subsidiaries		
Diageo Brands BV	1,264	1,255
Diageo Singapore Supply Pte Limited	14	60
Diageo India Private Limited	-	71
Total - Purchase of traded goods	**1,278**	**1,386**
Loans advanced to		
Associate		
Wine Soc. of India Private Limited	38	159
Total – Loans advanced	**38**	**159**
Allowance against loans made		
Associate		
Wine Soc. of India Private Limited	38	276
Total – allowances made [Refer Note 28(i)]	**38**	**276**
Purchase of materials		
Fellow subsidiaries		
Diageo Brands BV	796	202
Total - Purchase of materials	**796**	**202**

37. Related party disclosures *(continued)*

All amounts in INR Million

	For the year ended March 31,2017	For the year ended March 31,2016
Royalty and brand franchise expense		
Fellow subsidiaries		
Diageo Scotland Limited	3	2
Diageo North America Inc.	77	66
Total - Royalty and brand franchise expense	**80**	**68**
Trade mark license fees		
Entities having significant influence over the Company		
United Breweries (Holdings) Limited	-	576
Reimbursement of expenses paid		
Parent		
Diageo Plc.	-	85
Fellow subsidiaries		
Diageo India Private Limited	-	82
Diageo Australia Limited	25	33
Diageo Singapore Pte Limited	-	7
Diageo Brands BV	1	-
Diageo North America Inc.	31	-
Diageo Great Britain Limited	1	14
Total- reimbursement of expenses paid	**58**	**221**
Indemnification settlement receivable from parent		
Diageo Plc.	75	-
Reimbursement of expenses received		
Parent		
Diageo Plc.	32	20
Relay B V	-	1
Entities having significant influence over the company		
United Breweries Limited	-	22
Fellow subsidiaries		
Diageo Great Britain Limited	7	20
Diageo Brands BV	8	-
Diageo Scotland Limited	115	16
Diageo Vietnam Limited	-	17
Guinness Nigeria Limited	5	-
Total - Reimbursement of expenses received	**167**	**96**
Income from Agency commission		
Fellow subsidiaries		
Diageo India Private Limited	-	12
Assignment of receivables in favour of the Company from fellow subsidiary		
Diageo India Private Limited	3	62
Guarantee / security commission paid to		
Entities having significant influence over the Company		
United Breweries (Holdings) Limited	-	6
Purchase of fixed assets from fellow subsidiary	-	61
Diageo India Private Limited		
Payment for housekeeping and security services		
Entities having significant influence over the company		
City Properties Maintenance Company Bangalore Limited	-	47

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

37. Related party disclosures (continued)

All amounts in INR Million

(c) Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Loans outstanding			
Principal amount (Refer Note 5)			
Entities having significant influence over the Company			
United Breweries (Holdings) Limited	-	13,972	14,220
Associate			
Wine Soc. of India Private Limited	314	276	117
Receivables from related parties			
Parent			
Diageo Plc	80	2	-
Fellow subsidiaries			
Diageo Scotland Limited	24	5	-
Diageo Great Britain Limited	-	1	-
Diageo Vietnam Limited	-	1	-
Total (Refer note 6)	**104**	**9**	**-**
Fellow subsidiaries			
Guinness Nigeria Limited	7	-	-
Diageo India Private Limited	-	-	88
Total (Refer note 11)	**7**	**-**	**88**
Allowance at the year-end for			
Loans (Refer Note 5)			
Entities having significant influence over the Company			
United Breweries (Holdings) Limited	-	13,972	14,220
Associate			
Wine Soc. of India Private Limited	314	276	-
Payable to related parties			
Fellow subsidiaries			
Diageo Brands BV	937	254	255
Diageo India Private Limited	5	43	-
Diageo Great Britain Limited	5	-	-
Diageo Australia Limited	3	29	-
Diageo North America Inc.	20	18	-
Diageo Singapore Supply Pte Limited	15	17	-
Diageo Singapore Pte Limited	-	4	-
Total trade payables to related parties (Refer Note 19)	**985**	**365**	**255**

(d) Key management personnel compensation

	For the year ended March 31, 2017	For the year ended March 31, 2016
Remuneration	123	146
Employee share-based payments	5	-
Rent	-	1
Total compensation	**128**	**147**
Other payments:		
Sitting fee	7	15
Commission	22	13

(e) General terms and conditions

Transaction with related parties are carried out in the normal course of business and are generally on normal commercial terms.

All amounts in INR Million

38. Offsetting financial assets and financial liabilities

The following table presents the recognised financial instruments that are offset, as at March 31, 2017, March 31, 2016 and April 1, 2015:

March 31, 2017	**Effect of offsetting on the balance**		
	Gross amounts	**Set offs effected**	**Net amounts presented in the balance sheet**
Financial assets			
Trade receivables	30,697	(1,163)	29,534
Cash and cash equivalents	856	(71)	785
Other current financial assets	1,127	(80)	1,047
Total	**32,680**	**(1,314)**	**31,366**
Financial liabilities			
Trade payables	12,673	(426)	12,247
Other current liabilities	10,463	(888)	9,575
Total	**23,136**	**(1,314)**	**21,822**

March 31, 2016	**Effect of offsetting on the balance**		
	Gross amounts	**Set offs effected**	**Net amounts presented in the balance sheet**
Financial assets			
Trade receivables	25,093	(2,061)	23,032
Cash and cash equivalents	1,530	(243)	1,287
Other current financial assets	2,773	(83)	2,690
Total	**29,396**	**(2,387)**	**27,009**
Financial liabilities			
Trade payables	11,932	(1,743)	10,189
Other current liabilities	8,871	(644)	8,227
Total	**20,803**	**(2,387)**	**18,416**

April 1, 2015	**Effect of offsetting on the balance**		
	Gross amounts	**Set offseffected**	**Net amounts presented in the balance sheet**
Financial assets			
Trade receivables	18,097	(1,714)	16,383
Cash and cash equivalents	2,778	(101)	2,677
Other current financial assets	4,287	(138)	4,149
Total	**25,162**	**(1,953)**	**23,209**
Financial liabilities			
Trade payables	10,949	(1,518)	9,431
Other current liabilities	5,183	(435)	4,748
Total	**16,132**	**(1,953)**	**14,179**

Nature of offsetting arrangements

(a) The Group provides working capital support to certain tie-up manufacturers (TMUs), who are responsible for manufacturing and distribution of certain brands on behalf of the Group. The aforesaid working capital is represented by inventories, trade receivables, other financial assets and other financial liabilities. The Group has reported net working capital excluding inventory as other financial assets /liability (net) in lieu of working capital exposure to TMUs, as these amounts are expected to be settled on net basis.

(b) The Group gives volume based rebates to certain customers. As a practice amounts payable by Group are offset against receivables from such customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

39. (a) Defined contribution plans

The Group contributes to defined contribution plans for employee such as Provident Fund (PF), Employees' Pension Scheme (EPS), Superannuation Fund (SF), Death benefit plan and Employees' State Insurance (ESI). PF and EPS cover substantially all regular employees while the SF covers certain executives and ESI covers eligible employees. Contribution to SF is made to United Spirits Superannuation Fund ('USSF'). Other contributions are made to the Government funds or insurance companies. While both the employees and the Group pay predetermined contributions into the Provident Fund and the ESI Scheme, contributions into the pension fund, death relief fund and the superannuation fund are made only by the Group. The contributions are normally based on a certain percentage of the employee's salary. The Group also makes contributions towards defined contribution plans in respect of its overseas subsidiaries, as applicable.

During the year, the Group has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds in the employee benefits expense.

	For the year ended March 31, 2017	For the year ended March 31, 2016
Provident fund and employee's pension scheme*	113	130
Superannuation fund	77	107
Employees' state insurance	6	7
Death benefit	11	10
National pension fund	10	4
Total (refer Note 25)	**217**	**258**

*Excluding contribution to PF made to trusts which are in the nature of defined benefit plans managed by the Group.

(b) Defined benefit plans

Gratuity:

The Group provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Group. The Group has employees' gratuity fund managed by the Group as well as by Insurance Companies.

Pension:

The Group operates a defined benefit pension plan for certain executives and workers of the Group. This plan is final salary pension plan, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on their salary in the final year leading up to retirement.

Provident fund:

For certain executives and workers of the Group, contributions are made as per applicable Indian laws towards Provident Fund to certain Trusts set up and managed by the Group, where the Group's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Group. Having regard to the assets of the Fund and the return on the investments, shortfall if any, in the assured rate of interest notified by the Government, which the Group is obliged to make good is determined actuarially.

39. (b) Defined contribution plans *(continued)* All amounts in INR Million

Funded Gratuity and Provident Fund

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Description	Funded plans				Unfunded plans			
	As at March 31, 2017		As at March 31, 2016		As at March 31, 2017		As at March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund	Gratuity	Pension fund	Gratuity	Pension fund
Obligation at the beginning of the year	2,202	2,455	2,149	2,291	6	18	4	19
Current service cost	168	161	151	171	2	-	2	-
Interest Cost	155	111	152	106	1	1	-	2
Benefit payments from plan assets	(448)	(545)	(437)	(449)	-	(4)	-	-
Benefit payments directly by employer	(16)	-	(1)	-	(4)	-	1	1
Participant contributions	-	380	-	321	-	-	-	-
Actuarial (Gain) / Loss – Financial assumption changes	(318)	132	-	15	-	3	-	(4)
Actuarial (Gain) / Loss – Experience	(260)	-	188	-	3	-	(1)	-
Obligation at the end of the year	**1,483**	**2,694**	**2,202**	**2,455**	**8**	**18**	**6**	**18**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

Description	Funded plans			
	As at March 31, 2017		As at March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
Plan Assets at the beginning of the year	1,824	2,415	1,551	2,194
Adjustment for opening fair value	-	-	6	13
Contribution by plan participants	-	380	-	320
Contribution by the Group	356	161	553	171
Expected return on plan assets	142	112	151	102
Actuarial gains / (losses)	72	222	(42)	64
Benefits paid	(448)	(544)	(395)	(449)
Plan assets at the end of the year	**1,946**	**2,746**	**1,824**	**2,415**

C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet at the end of the year

Description	Funded plans					
	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Gratuity	Provident fund	Gratuity	Provident fund	Gratuity	Provident fund
Present value of obligation	1,483	2,694	2,202	2,455	2,149	2,291
Fair value of plan assets	1,946	2,746	1,824	2,415	1,551	2,194
Asset ceiling	-	(52)	-	-	-	-
Liability / (net asset) recognised in Balance sheet	**(463)***	**-**	**378**	**40**	**598**	**97**

* Comprises net Liability of INR 10 pertaining to a subsidiary and net asset of INR 473 pertaining to USL.

Description	Unfunded plans					
	As at March 31, 2017		As at March 31, 2016		As at April 01, 2015	
	Gratuity	Pension fund	Gratuity	Pension fund	Gratuity	Pension fund
Present value of obligation	8	18	6	18	4	19
Fair value of plan assets	NA	NA	NA	NA	NA	NA
Asset ceiling	NA	NA	NA	NA	NA	NA
Liability recognised in Balance sheet	**8**	**18**	**6**	**18**	**4**	**19**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

39. (b) Defined contribution plans *(continued)*

All amounts in INR Million

Liability/ (net assets) disclosed in the financial statements is as follows:

Description	Note	As at March 31, 2017			As at March 31, 2016			As at April 01, 2015		
		Gratuity	Pension fund	Prov-ident fund	Gratuity	Pension fund	Prov-ident fund	Gratuity	Pension fund	Prov-ident fund
Non-current provision	Note 18	12	16	-	-	18	40	-	19	97
Current provision	Note 18	2	2	-	381	-	-	602	-	-
Current assets	Note 9	(473)	-	-	-	-	-	-	-	-
Liabilities directly associated with assets classified as held for sale	Note 49	4	-	-	3	-	-	-	-	-
Liability / (net asset) recognised in Balance sheet		**(455)**	**18**	**-**	**384**	**18**	**40**	**602**	**19**	**97**

D. Expenses recognised in the Statement of profit and loss:

Description	Funded				Unfunded plans			
	For the year ended March 31, 2017		For the year ended March 31, 2016		For the year ended March 31, 2017		For the year ended March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund	Gratuity	Pension fund	Gratuity	Pension fund
Current service cost	168	161	151	171	2	-	2	-
a. Interest expense on DBO	155	111	152	106	1	1	-	2
b. Interest (income) on plan assets	(142)	(112)	(151)	(102)	-	-	-	-
Net interest cost	13	(1)	1	4	1	1	-	2
Defined benefit cost included in P&L	**181**	**160**	**152**	**175**	**3**	**1**	**2**	**2**

E. Re-measurement Effects Recognized in Other Comprehensive Income (OCI):

Description	Funded				Unfunded plans			
	For the year ended March 31, 2017		For the year ended March 31, 2016		For the year ended March 31, 2017		For the year ended March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund	Gratuity	Pension fund	Gratuity	Pension fund
a. Actuarial (Gain) / Loss due to Financial Assumption changes in DBO	(318)	-	-	-	-	-	-	-
b. Actuarial (Gain) / Loss due to Experience on DBO	(260)	132	188	15	3	3	(1)	(4)
c. Return on Plan Assets (Greater) / Less than Discount rate	(72)	(221)	42	(64)	-	-	-	-
Total Actuarial (Gain)/Loss included in OCI	**(650)**	**(89)**	**230**	**(49)**	**3**	**3**	**(1)**	**(4)**

F. Investment details of plan assets:

Description	For the year ended March 31, 2017		For the year ended March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	17%	-	17%
Securities guaranteed by government	-	5%	-	5%
Public sector / financial institutional bonds	-	68%	-	68%
Special deposit scheme	-	5%	-	5%
Fund balance with insurance companies	99%	-	99%	-
Others	1%	5%	1%	5%
Total	**100%**	**100%**	**100%**	**100%**

39. (b) Defined contribution plans *(continued)* All amounts in INR Million

G. Assumptions:

Description	As at March 31, 2017		As at March 31, 2016	
	Gratuity	Provident fund	Gratuity	Provident fund
Discount rate (per annum)	6.90%	7.10%	7.70%	7.80%
Expected rate of return on plan assets	9.25%	7.70%	9.25%	8.33%
Rate of increase in compensation levels	10.00%	NA	15.00%	NA
Attrition rate	13.20%	13.20%	13.20%	13.20%
Average past service of employees (years)	13	NA	13	NA
Mortality rates	IALM(2006-08) Ultimate table	IALM(2006-08) Ultimate table	Standard Indian Assured Lives (2006-08) ultimate table	LIC (a) 1996-98 ultimate table, standard India assured lives 2006-08 ultimate table

39. (c) Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation					
	Changes in assumptions		Increase in assumption		Decrease in assumption	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Discount rate	1%	1%	Decrease by 6.30%	Decrease by 6.68%	Increase by 3.69%	Increase by 3.72%
Rate of increase in compensation levels	1%	1%	Increase by 3.32%	Increase by 2.92%	Decrease by 6.12%	Decrease by 6.15%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

39. (d) Risk exposure:

Through its defined benefit plans, Group is exposed to number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in government securities and pre-defined insurance plans. These are subject to interest rate risk and the fund manages interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in bond yields	A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2017 consists of government and public sector bonds, although the Group also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

39. (e) Effect of the defined benefit plan on the entity's future cash flows

Funding levels are monitored on an annual basis and the current agreed contribution rate is 12% of the basic salaries for PF and 4.7% for Gratuity. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

39 (e) Effect of the defined benefit plan on the entity's future cash flows *(continued)* All amounts in INR Million

Expected contributions to post-employment benefit plans for the year ending March 31, 2018 is INR 266. The weighted average duration of the defined benefit obligation is 13 years (2016 – 13 years, 2015 – 13.1 years). The expected maturity analysis of undiscounted pension, gratuity and other post-employment benefits is as follows:

March 31, 2017	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	244	204	549	606	1,603
Provident fund	522	378	976	1,144	3,020
Total	**766**	**582**	**1,525**	**1,750**	**4,623**

March 31, 2016	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	404	269	754	933	2,360
Provident fund	500	522	1,075	1,235	3,332
Total	**904**	**791**	**1,829**	**2,168**	**5,692**

April 1, 2015	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Gratuity	388	259	724	896	**2,267**
Provident fund	384	500	1,261	1,355	**3,500**
Total	**772**	**759**	**1,985**	**2,251**	**5,767**

Note: The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

39. (f) Compensated absences

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Obligation at the beginning of the year	785	716
Expense/ (income) for the year recognised in the Employee benefits expense in the Statement of Profit and Loss	(151)	169
Payments during the year	(129)	(100)
Obligation at the end of the year (Refer Note 18)	505	785
Current provision	108	160
Non-current provision	397	625

40. Leases All amounts in INR Million

(a) Finance lease:

The Company has acquired land, office equipment and vehicles on finance leases. The lease agreements for office equipment and vehicles are generally a primary period of 36 to 60 months. The Company has an option to renew these leases for a secondary period. Lease arrangements for land is generally for a period of 95-99 years.

The minimum lease payments and their present value for the finance leases, are as follows:

Particulars	As at March 31, 2017		As at March 31, 2016		As at April 1, 2015	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	67	73	43	48	34	41
Later than one year and not later than five years	68	74	57	61	75	83
Later than five years	-	-	-	-	-	-
	135	**147**	**100**	**109**	**109**	**124**
Less: Finance charges	-	12	-	9	-	15
Total (Refer Note 16)	**-**	**135**	**-**	**100**	**-**	**109**

(b) Operating lease:

The Group's significant operating leasing arrangements are in respect of premises (residential, office, manufacturing facilities, etc.) and plant and machineries, which are for a period ranging between 11 months and 3 years and are cancellable. These arrangements are usually renewable by mutual consent on mutually agreeable terms.

Rental expense relating to operating lease:

	For the year ended March 31, 2017	For the year ended March 31, 2016
Minimum lease payments	1,177	619
Contingent rent	929	891
Total rental expense relating to operating lease (Refer note 27)	**2,106**	**1,510**

Contingent rent represents bottling fees paid to tie-up manufacturers under an arrangement which are in nature of operating lease, where rent is determined based on the output/ volume.

There are no commitments for non-cancellable operating leases during the current and comparable reporting years.

41. As disclosed in the financial statements for the years ended March 31, 2015 and March 31, 2016, the Board of the Company (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 INR 358 (2016: INR 5,666) outstanding from such parties, corresponding write back of provisions against such receivables amounting to INR 370 (2016: INR 6,209) and interest claims from such parties amounting to INR 28 (2016: Nil) all of which have been treated as exceptional items during the year (refer Note 28). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

41. (*continued)* All amounts in INR Million

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.

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 INR 9,135 using March 31, 2015 exchange rates (approximately INR 9,504 using March 31, 2016 exchange rates) as well as other potentially improper transactions involving USL and its Indian and overseas subsidiaries amounting to approximately INR 3,118 using March 31, 2015 exchange rates (approximately INR 3,260 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 INR 217 in respect of a write down in the value of certain items of plant and equipment made in the current reporting period and disclosed under exceptional items (Refer Note 28), 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 the fund diversion to assess the Company's 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 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.

All amounts in INR Million

42. 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 INR 13,374 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 INR 13,374, and for the accrued interest of INR 846 up to March 31, 2014. The Company has also not recognised interest income on said loan aggregating to INR 3,748 for the period from April 1, 2014 to March 31, 2017. During the year Company has set-off payable to UBHL under the trademark agreement amounting to INR 291 (2016: INR 248) (cumulatively INR 539) 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.

43. 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 INR 75 ("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 Statement of profit and loss 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 thirteen 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 dispose off these non-core assets at market value 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 Shreholders' 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.

44. The managerial remuneration for the financial year ended March 31, 2015 aggregating INR 63 and INR 153 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 INR 51 to the MD & CEO and INR 134 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

44. **(***continued)*

approving the waiver of the excess remuneration paid. In light of the findings from the Additional Inquiry as set out in Note 41 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.

45. 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.

46. 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 Company deposited a sum of INR 6,280, including prepayment penalty of INR 40, 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 INR 474 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 INR 459, 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 INR 459 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.

All amounts in INR Million

47. 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 up to December 31, 2016, in the quarter ended March 31, 2017. After considering an accrual of INR 250 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 INR 3,030 (including potential liability of INR 130 for the period January to March 2017) during the current year of which INR 460 relate to claims for current year sales which has been recorded as reduction from Revenue from Operations and INR 2,570 pertaining to earlier years which has been disclosed as exceptional item in the Statement of profit and loss. 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 INR 75 has been made and included in exceptional item for the year. The aggregate amount included in exceptional items is therefore INR 2,645 (Refer Note 28).

48. 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 thereafter 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 INR 553 which is considered good and receivable and disclosed as other non- current financial assets. The Company has made a provision of INR 267 (2016: Nil) towards inventory reprocessing charges for the year ended March 31, 2017. Further, a provision of INR 110 (2016: Nil) towards employee retrenchment during the year ended March 31, 2017. Total amounts of INR 377 (2016: Nil) for the year ended March 31, 2017 has been disclosed as exceptional item under Note 28.

49. Assets held for sale - Disposal group - United Spirits Nepal Private Limited

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, no effect has been given in respect of this transaction in the consolidated financial statements for the year ended March 31, 2017. Pursuant to this, the associated assets and liabilities were consequently presented as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

49. Assets held for sale - Disposal group - United Spirits Nepal Private Limited *(continued)* All amounts in INR Million

The following assets and liabilities were reclassified as held for sale in relation to the disposal group [Refer Note 13]:

Assets held for sale	As at March 31, 2017	As at March 31, 2016
Property, plant and equipment	28	28
Inventories – Raw materials, packing materials and stores and spares	154	53
Inventories – Work in progress	22	20
Inventories – Finished goods	49	21
Trade receivables	28	45
Cash and cash equivalents	1	0
Bank balances other than cash and cash equivalents	-	53
Other financial assets	13	-
Other current assets	38	82
	333	**302**

Liabilities held for sale	As at March 31, 2017	As at March 31, 2016
Long term provisions	2	-
Short term provisions	18	8
Trade payables	84	83
Other current liabilities	54	35
Other financial liabilities	7	2
	165	**128**

50(a) Definition of the Group

United Spirits Limited ("USL or the Company") which is headquartered in Bengaluru, Karnataka, India, together with its subsidiaries, its controlled trust and associate company (collectively "the Group") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines). In addition, the Group holds the perpetual right to the Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL).

Subsidiaries

The subsidiaries consolidated in these financial statements are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held by the Company, and the proportion of ownership interests held equals the voting rights held by the Company.

Name of the Subsidiary/ Controlled Trust	% of ownership interest			Country of Incorporation	Place of business	Principal business activity
	2017	2016	2015			
Pioneer Distilleries Limited	75	75	75	India	India	Manufacture of Spirits
Royal Challengers Sports Private Limited	100	100	100	India	India	BCCI - IPL franchise
Four Seasons Wines Limited (FSWL)	100	100	100	India	India	Manufacture of Wines
Tern Distilleries Private Limited (Tern)	100	100	100	India	India	Manufacture of ENA
Sovereign Distilleries Limited	100	100	100	India	India	Manufacture of ENA
USL Benefit Trust	100	100	100	India	India	Investment
United Spirits Nepal Private Limited (USL Nepal)	82.47	82.47	82.47	Nepal	Nepal	Manufacture and trading of IMFL
United Spirits Singapore Trading Pte Ltd	100	100	100	Singapore	Singapore	Trading of IMFL
McDowell & Co. (Scotland) Limited (MSL)	100	100	100	Scotland	Scotland	Dormant
Asian Opportunities and Investments Limited (AOIL)	100	100	100	Mauritius	Mauritius	Dormant
Palmer Investment Group Limited (PIG)	100	100	100	British Virgin Islands	British Virgin Islands	Dormant
Shaw Wallace Overseas Limited (SWOL)	100	100	100	U.K.	U.K.	Dormant

50. (a) Definition of the Group (*continued*)

All amounts in INR Million

Name of the Subsidiary/ Controlled Trust	% of ownership interest			Country of Incorporation	Place of business	Principal business activity
	2017	2016	2015			
UB Sports Management Overseas Limited	100	100	100	Jersey Islands	Jersey Islands	Dormant
Montrose International S.A (MI)	100	100	100	Panama	Panama	Dormant
USL Holdings Limited (UHL)	100	100	100	British Virgin Islands	British Virgin Islands	Dormant
USL Holdings (UK) Limited (UHUKL)	100	100	100	U.K.	U.K.	Dormant
United Spirits (Shanghai) Trading Company Limited	100	100	100	China	China	Dormant
United Spirits (UK) Limited (USUKL)	100	100	100	U.K.	U.K.	Dormant
United Spirits (Great Britain) Limited (USGBL)	100	100	100	U.K.	U.K.	Dormant
Liquidity Inc.	51	51	51	USA	USA	Dormant
Bouvet Ladubay S.A.S. [Refer note 51(b)]	-	-	100	France	France	Manufacture and trading of IMFL
Chapin Landias S.A.S. [Refer note 51(b)]	-	-	100	France	France	Manufacture and trading of IMFL

Associates

Set out below is the associate of the Company as at March 31, 2017.

Name of entity	% of ownership interest 2017	% of ownership interest 2016	% of ownership interest 2015	Country of incorporation	Place of business
Wine Society of India Private Limited	33%	33%	33%	India	India

50. (b) Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The Group has performed an assessment for impairment of goodwill on acquisition of subsidiaries owing to continuing losses incurred by certain subsidiaries and decline in the value of underlying net assets held by certain subsidiaries, based on which Group has recognised impairment charge on goodwill on acquisition pertaining to the relevant subsidiaries mentioned in the below table during the year ended March 31, 2017 and March 31, 2016.

The Group's cash-generating units (CGU) have been determined as individual subsidiaries. The Group has determined recoverable values of the CGU, as fair value, less cost of disposal. The Company has used the 'cost approach' valuation technique for determining fair value of its investment in subsidiaries using Level 3 inputs.

The entity wise detail of impairment charge recognised is set out below:

Description	United Spirits Nepal Private Limited	McDowell (Scotland) Limited	Tern Distilleries Limited	Bouvet Ladubay S.A.S.	Pioneer Distilleries Limited	Chapin Landais	Sovereign Distilleries Limited	Four Seasons Wines Limited	Total
Carrying amount as at April 1, 2015	62	13	163	350	284	(9)	867	(136)	1,594
Disposed during the year	-	-	-	(350)	-	9	-	-	(341)
Net assets of the subsidiary	175	772	366	-	2,704	-	578	521	5,116
Total	**237**	**785**	**529**	**-**	**2,988**	**-**	**1,445**	**385**	**6,369**
Recoverable amount	179	1,244	459	-	3,342	-	1,592	573	7,389
(Shortfall)/Surplus in recoverable amount over carrying value	(58)	459	(70)	-	354	-	147	188	
Impairment allowance for the year ended March 31, 2016 (Refer Note 28)	**58**	**-**	**70**	**-**	**-**	**-**	**-**	**-**	**128**
Carrying amount of goodwill as at March 31, 2016	**4**	**13**	**93**	**-**	**284**	**-**	**867**	**(136)**	**1,125**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

50. (b) Goodwill *(continued)*

All amounts in INR Million

Description	United Spirits Nepal Private Limited	McDowell (Scotland) Limited	Tern Distilleries Limited	Pioneer Distilleries Limited	Sovereign Distilleries Limited	Four Seasons Wines Limited	Total
Carrying amount of goodwill as at April 1, 2016	4	13	93	284	867	(136)	1,125
Net assets of the subsidiary	169	614	318	2,874	388	477	4,840
Total	**173**	**627**	**411**	**3,158**	**1,255**	**341**	**5,965**
Recoverable amount	179	1,043	391	2,874	1,114	508	6,109
(Shortfall)/Surplus in recoverable amount over carrying value	6	416	(20)	(284)	(141)	167	
Impairment allowance for the year ended March 31, 2017 (Refer Note 28)	**-**	**-**	**(20)**	**(284)**	**(141)**	**-**	**(445)**
Carrying amount of goodwill as at March 31, 2017	**4**	**13**	**73**	**-**	**726**	**(136)**	**680**

Sensitivity analysis

The below table summarises the impact of increases/ decreases in fair values of property, plant and equipment included in determining the recoverable amounts above:

Key underlying values	Impact on impairment decrease / (increase)	
	Year ended March 31, 2017	Year ended March 31, 2016
Change in fair value by:		
+ 5%	54	61
- 5%	(54)	(61)

50. (c) Details on Non-controlling Interest (NCI)

Set out below is summarised financial information for all the subsidiaries in which there is a non-controlling interest. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet line items	USL Nepal			Liquidity Inc.			Pioneer Distilleries Limited		
	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015	As of March 31, 2017	As of March 31, 2016	As of April 1, 2015
Current assets	311	286	243	1	-	3	923	984	821
Current liabilities	(253)	(213)	(223)	(121)	(131)	(84)	(2,938)	(1,796)	(2,173)
Net current assets	**58**	**73**	**20**	**(120)**	**(131)**	**(81)**	**(2,015)**	**(812)**	**(1,352)**
Non-current assets	29	28	31	-	-	15	3,710	2,721	2,977
Non-current liabilities	(3)	(3)	(3)	(162)	150	(144)	(2,143)	(2,056)	(1,997)
Net non-current assets	**26**	**25**	**28**	**(162)**	**150**	**(129)**	**1,567**	**665**	**980**
Net assets	84	98	48	(282)	19	(210)	(448)	(147)	(372)
Accumulated NCI	**14**	**17**	**8**	**(20)**	**(17)**	**-**	**(19)**	**56**	**-**

Summarised profit and loss line items	USL Nepal		Liquidity Inc.		Pioneer Distilleries Limited	
	As of March 31, 2017	As of March 31, 2016	As of March 31, 2017	As of March 31, 2016	As of March 31, 2017	As of March 31, 2016
Revenue	1,635	1,232	-	-	1,131	1,902
Profit for the year	49	72	(7)	(34)	(303)	224
Other comprehensive income	-	-	-	-	1	0
Total comprehensive income	49	72	(7)	(34)	(302)	224
Dividends paid to NCI	11	4	-	-	-	-
Total Comprehensive income allocated to NCI	9	13	(4)	(17)	(76)	56

Summarised cash flows	USL Nepal		Liquidity Inc.		Pioneer Distilleries Limited	
	As of March 31, 2017	As of March 31, 2016	As of March 31, 2017	As of March 31, 2016	As of March 31, 2017	As of March 31, 2016
Cash flow from operating activities	(0)	73	(0)	(0)	424	506
Cash flow from investing activities	(3)	(0)	(0)	(0)	(928)	(60)
Cash flow from financing activities	(49)	(23)	(0)	(0)	501	(459)
Net increase/ (decrease) in cash and cash equivalents	(52)	50	(0)	(0)	(3)	(13)

There were no transactions with non-controlling interests in the year ended March 31, 2016 and March 31, 2017.

50.(d) Interest in associate

	March 31, 2017	March 31, 2016
Share of loss from associate	-	-

All amounts in INR Million

50.(e) Share of profit and assets of subsidiaries

Name of the entity	Net assets, i.e., Total assets minus Total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% as of consolidated profit/(loss)	Amount	% of consolidated profit/(loss)	Amount	% of consolidated profit/(loss)	Amount
Parent Company								
United Spirits limited	46.53%	8,297	195.06%	1,814	100.25%	469	163.31%	2,283
Foreign Subsidiaries								
Asian Opportunities and Investments Limited (AOIL)	0.16%	29	(3.42)%	(32)	0.00%	0	(2.27)%	(32)
Liquidity Inc.	(1.11)%	(198)	(0.86)%	(7)	0.00%	0	(0.57)%	(7)
McDowell & Co. (Scotland) Limited (MSL)	3.44%	613	(8.82)%	(83)	0.00%	0	(5.87)%	(83)
Montrose International S.A (MI)	0.00%	(1)	(0.26)%	(2)	0.00%	0	(0.18)%	(2)
United Spirits Nepal Private Limited	0.95%	169	5.27%	49	0.00%	0	3.51%	49
Palmer Investment Group Limited (PIG)	0.00%	(0)	(0.22)%	(2)	0.00%	0	(0.15)%	(2)
UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited(JIHL)	0.01%	1	(0.30)%	(3)	0.00%	0	(0.20)%	(3)
United Spirits Singapore Trading Pte Ltd	0.23%	41	1.68%	16	0.00%	0	1.11%	16
United Spirits (UK) Limited (USUKL)	0.02%	4	(0.06)%	(1)	0.00%	0	(0.04)%	(1)
USL Holdings Limited (UHL)	0.02%	3	(0.03)%	(0)	0.00%	0	(0.02)%	(0)
USL Holdings (UK) Limited (UHUKL)	0.02%	3	(0.08)%	(1)	0.00%	0	(0.05)%	(1)
United Spirits (Shanghai) Trading Company Limited (USLS)	0.01%	2	(0.13)%	(1)	0.00%	0	(0.08)%	(1)
United Spirits (Great Britain) Limited (USGBL)	0.91%	163	(4.71)%	(44)	0.00%	0	(3.13)%	(44)
Shaw Wallace Overseas Limited (SWOL)	0.04%	7	0.10%	1	0.00%	0	0.07%	1
Sub-total		**836**		**(110)**		**0**		**(110)**
Indian Subsidiaries								
Four Seasons Wines Limited (FSWL)	2.68%	477	(19.78)%	(184)	0.00%	0	(13.15)%	(184)
Pioneer Distilleries Limited	16.12%	2,874	(32.37)%	(301)	(0.25)%	(1)	(21.61)%	(302)
Royal Challengers Sports Private Limited	25.92%	4,623	3.39%	31	0.00%	0	2.25%	31
Sovereign Distilleries Limited	2.18%	388	(20.75)%	(192)	0.00%	0	(13.80)%	(192)
Tern Distilleries Private Limited (Tern)	1.79%	318	(6.10)%	(57)	0.00%	0	(4.06)%	(57)
USL Benefit Trust	0.24%	43						
Sub-total		**8,723**		**(703)**		**(1)**		**(704)**
Minority interest in subsidiaries								
United Spirits Nepal Private Limited	0.08%	14	0.93%	9	0.00%	0	0.62%	9
Liquidity Inc.	(0.11)%	(20)	(0.42)%	(4)	0.00%	0	(0.28)%	(4)
Pioneer Distilleries Limited	(0.11)%	(19)	(8.12)%	(76)	0.00%	0	(5.40)%	(76)
Sub-total		**(25)**		**(71)**		0		**(71)**
Associates								
Wine Soc. of India Private Limited	0.00%	-	0.00%	-	0.00%	0	0.00%	-
Total	**100%**	**17,831**	**100%**	**930**	**100%**	**468**	**100%**	**1,398**

Note: Net assets given above exclude inter-company balances. Share in profit or loss and total comprehensive income above exclude exchange gain/(loss) on restatement of inter-company loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

All amounts in INR Million

51.(a) Scheme of Amalgamation of SW Finance Co. Limited with the Company

The Scheme of Amalgamation between the Company and SW Finance Co. Limited, a wholly owned subsidiary of the Company ("SWFCL"), under Section 391 and 394 read with Sections 100 to 103 of the Companies Act, 1956 (the "Scheme") with the appointed date of January 1, 2014 has been sanctioned by the Hon'ble High Court of Karnataka and Hon'ble High Court of Judicature at Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively. Upon necessary filings with the respective Registrars of Companies, the Scheme has become effective from September 28, 2015 (the 'Effective Date') and effect thereof have been given in these financial statements. Consequently:

(i) the Share capital of SWFCL to the extent held by SWFSL Trust stood cancelled;
(ii) the entire business and undertakings of SWFCL including all assets and liabilities, as a going concern transferred to and vested in the Company in accordance with the provisions of the Scheme with effect from the appointed date;
(iii) the Authorised capital of the Company increased to INR 7,192 divided into 548,000,000 equity shares of INR 10/- each, 159,200,000 preference shares of INR 10/- each and 1,200,000 preference shares of INR 100/- each; and
(iv) SWFCL ceased to be subsidiary of the Company, and as SWFCL was a wholly owned subsidiary (WOS) of the Company, no consideration was payable pursuant to amalgamation of SWFCL with the Company. Shaw Wallace Overseas Limited, a WOS of SWFCL has become a direct subsidiary of the Company.

The Group has given effect to the Scheme in the accounts with effect from April 1, 2015 being the date of transition in accordance with Ind AS 101 as this is a common control transaction under Ind AS 103 by way of:

(i) Credit to "Capital Reserve" of INR 974 million with a corresponding increase in Goodwill.
(ii) Elimination of investment in SWFCL Benefit Trust of INR 41 million with a corresponding debit to "Capital Reserve".

51.(b) Sale of subsidiaries

During the year ended March 31, 2016 USL's wholly owned subsidiary Asian Opportunities & Investments Limited (AOIL), has sold its entire interest in Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S). Consequent to the above sale, Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S) ceased to be subsidiaries of the company with effect from November 18, 2015.

52. Effective December 1, 2016, the provisions of Sick Industrial Companies Act, 1985 have been 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 subsidiaries namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, Tern Distilleries Private Limited and Four Seasons Wines Limited had been referred to BIFR due to 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 is not required.

53. Capital and other commitments

Particulars	March 31, 2017	March 31, 2016	April 1, 2015
Capital commitments for property, plant and equipment	715	999	1,732
Other commitment relating to trade mark fee	1,751	2,688	3,617

54. Contingent Liabilities

Particulars	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
(a) Disputed dues against the Group not acknowledged as debts			
(i) State Excise demands for excess primarily for wastages and distillation losses	1,978	2,186	1,997
(ii) Central Excise matters	2	119	2
(iii) Service tax disputes	585	642	583
(iv) Property, labour and civil litigations	2,692	3,274	1,188
(v) Expenses relating to Historical agreements not recognised	-	121	486
(vi) Income tax disputes (including interest)	7,220	2,876	2,646
(vii) Sales tax and entry tax disputes in various states	2,079	2,529	2,094
(b) Bills receivables discounted	-	-	295
(c) Claims from suppliers not acknowledged as debts	82	79	99

Management is optimistic of succeeding in the above appeals / disputes based on legal opinions / legal precedents.

It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

55. Research and development expenses

All amounts in INR Million

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries and wages	48	45
Contribution to provident fund and other funds	5	5
Staff welfare expenses	1	1
Rent	4	4
Miscellaneous expenses	22	31
Total Research and development expenses	**80**	**86**

56. Disclosure as per Regulation 34 (3) and 53 (f) read with Part A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of loans and advances, the amount in the nature of loans outstanding at year end (continued)

Particulars	Value of Investments held	Loans outstanding as at March 31, 2016	Maximum amount of loans and advances outstanding during the year
(i) Loans and advances in the nature of loans to firms / companies in which directors are interested			
United Breweries (Holdings) Limited	-	13,374	13,374

The aforesaid amount are gross of provisions, if any made based on Management assessment of recoverability.

57. First-time adoption of Ind AS

Transition to Ind AS

These are the Group's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in Note 1, have been applied in preparing the financial statements from the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 1, 2015 (the Group's date of transition). In preparing its opening Ind AS balance sheet, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

Set below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

1 Ind AS optional exemptions

1.1 Business combinations

Ind As 101 provides the option to apply Ind AS 103 prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combination to the transition date.

The Group elected to apply Ind AS 103 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated. The Group has applied same exemption for investment in associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

1.2 Deemed cost

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment and investment property as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 *Intangible Assets*.

Accordingly, the Group has elected to measure all of its Investments property, property, plant and equipment and intangible assets at their previous GAAP carrying value.

1.3 Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS.

The Group has elected to apply this exemption for such contracts/arrangements.

1.4 Designation of previously recognised financial instruments

Ind AS 101 allows an entity to designate investments in equity instruments other than subsidiaries at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS.

Accordingly, the Group has elected to classify fair value gains/losses on such investments in statement of other comprehensive income.

1.5 Cumulative translation differences

Ind AS 101 permits cumulative translation gains and losses to be reset to zero at the transition date. The Group elected to reset all cumulative translation gains and losses to zero by transferring it to opening retained earnings at its transition date.

1.6 Prospective application of Ind AS 21 to business combinations

Ind AS 101 allows a first-time adopter not to apply Ind AS 21 Effects of changes in Foreign Exchange Rates retrospectively for business combinations that occurred before the date of transition to Ind AS. In such cases, where the entity does not apply Ind AS 21 retrospectively to fair value adjustments and goodwill, the entity treats them as assets and liabilities of the acquirer entity and not as the acquiree.

The Group has elected to apply this exemption.

1.7 Government loan below market rate of interest

Ind AS 101 requires a first-time adopter to apply the requirements of Ind AS 109, Financial instruments and Ind AS 20, Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans at below market rate of interest obtained after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the requirements of Ind AS retrospectively to any government loan originated before the date of transition to Ind AS provided that the information needed to do so had been obtained at the time of initially accounting for that loan. Consequently, if the company did not under its previous GAAP recognise and measure the government loan at below market rate of interest on a basis consistent with Ind AS requirements, it shall use its previous GAAP carrying amount of the loan at the date of transition to Ind AS as the carrying amount of the loan in the opening Ind AS balance sheet. Accordingly the Group has applied the above requirement prospectively.

2. Ind AS mandatory exceptions

2.1 Estimates

An entity's estimates in accordance with Ind AS's at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at April 1, 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

2.2 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transitions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Group has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

2.3 Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exits at the date of transition to Ind AS.

B. Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

(i) Reconciliation of equity as at date of transition (April 1, 2015)

	Footnote reference	Previous GAAP *	Adjustments	Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment		14,452	-	14,452
Capital work-in-progress		1,133	-	1,133
Investment properties		658		658
Goodwill	1	620	974	1,594
Other intangible assets		4,137	-	4,137
Non-Current Financial assets				
Investments	6, 16	255	8,327	8,582
Loans		117	-	117
Other financial assets		440	-	440
Deferred tax assets	2, 9, 17	878	698	1,576
Advance income tax (net)		2,495	-	2,495
Other non-current assets		3,716	-	3,716
Total non-current assets		**28,901**	**9,999**	**38,900**
Current assets				
Inventories	2,8,9	17,582	1,324	18,906
Current Financial assets				
Investments	1, 15	1,249	(1,238)	11
Trade receivables	2	17,185	(802)	16,383
Cash and cash equivalents	15	2,628	49	2,677
Bank balances other than cash and cash equivalents		787		787
Loans		-		-
Other financial assets	8	5,291	(1,142)	4,149
Other current assets	15	4,486	(8)	4,478
Assets classified as held for sale		1		1
Total current assets		**49,207**	**(1,817)**	**47,391**
Total assets		**78,108**	**8,182**	**86,290**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

	Footnote reference	Previous GAAP *	Adjustments	Ind AS
EQUITY AND LIABILITIES				
Equity				
Equity share capital		1,453		1,453
Other equity				
Reserves and surplus	1, 2, 9, 11, 12, 15, 16, 17	5,142	(338)	4,804
Other reserves	6	-	8,417	8,417
Equity attributable to owners of				
United Spirits Limited		6,595	8,079	14,674
Non-controlling interests		8	-	8
Total equity		**6,603**	**8,079**	**14,682**
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
Borrowings	12	11,174	(57)	11,117
Other financial liabilities		1,010	-	1,010
Government grants		-	-	-
Provisions		661	-	661
Total non-current liabilities		**12,845**	**(57)**	**12,788**
Current liabilities				
Financial liabilities				-
Borrowings		36,536	-	36,536
Trade payables		9,431	-	9,431
Other financial liabilities	12	4,763	(15)	4,748
Provisions	11	2,170	175	2,345
Current tax liabilities		3,177	-	3,177
Other current liabilities		2,583	-	2,583
Total current liabilities		**58,660**	**160**	**58,820**
Total liabilities		**71,505**	**103**	**71,608**
Total equity and liabilities		**78,108**	**8,182**	**86,290**

** The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

(ii) Reconciliation of equity as at March 31, 2016

	Footnote reference	Previous GAAP *	Adjustments	Ind AS
ASSETS				
Non-current assets				
Property, plant and equipment	7	13,796	(28)	13,768
Capital work-in-progress		2,821	-	2,821
Investment properties		672	-	672
Goodwill		1,125	-	1,125
Other intangible assets	10	3,971	4	3,975
Non-current Financial assets		-		-
Investments	6, 16	111	(29)	82
Loans		-	-	-
Other financial assets		526	-	526
Deferred tax assets	2, 9, 17	1,262	638	1,900
Advance income tax (net)		2,243	-	2,243
Other non-current assets		3,302	-	3,302
Total non-current assets		**29,829**	**585**	**30,414**
Current assets				
Inventories	2, 7, 8, 9	17,955	1,564	19,519
Current Financial assets				
Investments	6, 15	1,209	(1,197)	12
Trade receivables	2, 7	24,231	(1,199)	23,032
Cash and cash equivalents	7, 15	1,291	(4)	1,287
Bank balances other than cash and cash equivalents		81	-	81
Loans		-	-	-
Other financial assets	8	3,435	(745)	2,690
Other current assets		6,053	(98)	5,955
Assets classified as held for sale	7	1	302	303
Total current assets		**54,256**	**(1,377)**	**52,879**
Total assets		**84,085**	**(792)**	**83,293**
EQUITY AND LIABILITIES				
Equity				
Equity share capital		1,453	-	1,453
Other equity				-
Reserves and surplus	2, 5, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17	16,431	(1,605)	14,826
Other reserves	6	-	68	68
Equity attributable to owners of				
United Spirits Limited		17,879	(1,532)	16,347
Non-controlling interests	13	17	39	56
Total equity		**17,896**	**(1,493)**	**16,403**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

	Footnote reference	Previous GAAP *	Adjustments	Ind AS
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
Borrowings	12	7,346	(41)	7,305
Other financial liabilities		392	-	392
Provisions		683	-	683
Total non-current liabilities		**8,421**	**(41)**	**8,380**
Current liabilities				
Financial liabilities				
Borrowings		29,969	-	29,969
Trade payables	7	10,272	(83)	10,189
Other financial liabilities	7,8,12	7,717	510	8,227
Provisions	11	2,196	187	2,383
Current tax liabilities (net)		3,479	-	3,479
Other current liabilities		4,135	-	4,135
Liabilities held for sale	7	-	128	128
Total current liabilities		**57,768**	**742**	**58,510**
Total liabilities		**66,189**	**701**	**66,890**
Total equity and liabilities		**84,085**	**(792)**	**83,293**

** The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.*

(iii) Reconciliation of total comprehensive income for the year ended March 31, 2016

	Footnote reference	Previous GAAP *	Adjustments	Ind AS
Revenue				
Revenue from operations (Gross)	2, 3, 4, 8	226,793	12,416	239,209
Less : Excise duty	2	134,391	(134,391)	-
Revenue from operations (net)		**92,402**	**146,807**	**239,209**
Other operating income		1,392	(1,392)	0
Other income		435	1	436
Total income		**94,229**	**145,416**	**239,645**
Expenses				
Cost of materials consumed	2, 3, 8	37,164	10,206	47,370
Purchases of stock-in-trade	8	16,621	(14,828)	1,793
Changes in inventories of work-in-progress, stock-in-trade and finished goods	3, 8, 11	(1,410)	(181)	(1,591)
Excise duty	4, 8	-	154,260	154,260
Employee benefit expense	5	6,973	(173)	6,800
Finance costs	12	4,558	16	4,574
Depreciation and amortisation expense	10	1,578	(6)	1,572
Other expenses	4, 9			
Advertisement and sales promotion		5,680	474	6,154
Others		19,076	(4,299)	14,777
Total expenses		**90,240**	**145,469**	**235,709**

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

	Footnote reference	Previous GAAP *	Adjustments	Ind AS
Profit before exceptional items, tax and minority interest		**3,989**	**(53)**	**3,936**
Exceptional items*	4	7,802	(8,076)	(274)
Profit before tax from continuing operations		**11,791**	**(8,129)**	**3,662**
Income tax expense				
- Current tax		1,923	-	1,923
- Tax relating to earlier years		568	-	568
- Deferred tax	3, 9, 11, 17	(362)	126	(236)
- MAT credit availed		(27)	-	(27)
Total tax expense		**2,101**	**126**	**2,228**
Profit for the year		**9,689**	**(8,255)**	**1,434**
Other comprehensive income				
- Remeasurements of post-employment benefit obligations	5	-	(177)	(177)
- Fair value gain/(loss) on investments in equity	6	-	187	187
- Income tax relating to these items		-	65	65
- Exchange difference on translation of foreign operations		-	215	215
Other comprehensive income for the year, net of tax		**-**	**290**	**290**
Total comprehensive income for the year		**9,689**	**(7,965)**	**1,724**
Share of non-controlling interest	13	13	39	52

** The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.*

(iv) Reconciliation of total equity as at March 31, 2016 and April 1, 2015

	Footnote reference	March 31, 2016	April 1, 2015
Total equity (shareholder's funds) as per previous GAAP		17,879	6,595
Adjustments:			
On account of amalgamation of SW Finance Co Limited with the Company	1	-	932
Effect of consolidation of controlled trust	15	(1,156)	(1,156)
Reversal of brand amortisation	10	4	
Fair valuation of investments	6	68	8,417
Net impact on equity on reversal of revenue	2	(109)	(82)
De-recognition of borrowing cost capitalized on inventory	9	(713)	(536)
Stamp duty on erstwhile amalgamation	11	(188)	(175)
Fair valuation of financial liabilities at amortised cost	12	57	73
Recognition of deferred tax	17	370	-
Adjustment for non-controlling interests	13	(38)	-
Impairment of investment properties	16	(92)	(90)
Tax effects of above adjustments		265	697
Total adjustments		**(1,532)**	**8,079**
Total equity as per Ind AS		**16,347**	**14,674**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

(v) Impact of Ind AS adoption on the statements of cash flows for the year ended March 31, 2016

	Previous GAAP	Adjustments	Ind AS
Net cash flow from operating activities	2,386	(259)	2,645
Net cash flow from investing activities	8,192	678	7,514
Net cash flow from financing activities	(11,787)	(238)	(11,549)
Net increase/(decrease) in cash and cash equivalents	**(1,209)**	**181**	**(1,389)**
Cash and cash equivalents as at April 1, 2015	2,629	(48)	2,677
Effect of exchange rate changes on cash and cash equivalents	-	-	-
Cash and cash equivalents disclosed as held for sale	-	53	(53)
Cash and cash equivalents of subsidiaries disposed	(129)	(0)	(129)
Analysis of changes in cash and cash equivalents for the purposes of statement of cash flows under Ind AS			
Cash and cash equivalents as per previous GAAP and for the purpose of statement of cash flows	1,290	3	1,287

C Footnotes to first-time adoption:

1. Business combination - SW Finance Co. Limited

As noted in Note 51(a) on August 28, 2015, the Group received an approval to merge with Shaw Wallace Finance Group Limited (SWFCL) with an effective date of January 1, 2014, accordingly the Group had made the below adjustments on August 28, 2015 under the previous GAAP. However, as per Ind AS 103, the results of SWFCL have been merged with the Group with effect from April 1, 2015. Consequently the following adjustments have been recorded in the opening Balance Sheet as at the transition date.

(a) Recognition of capital reserve of INR 974 and the corresponding increase in the Goodwill.

(b) Elimination of investment in SWFCL benefit trust of INR 41 with corresponding reduction of 'Capital Reserve'.

2. Revenue recognition

Under Ind AS 18, revenue is recognised when significant risk and reward is transferred and company does not retain either continuing managerial involvement or effective control over the goods sold. Hence, revenue recognised under previous GAAP relating to certain customers have been reversed. Net impact of reversal of revenue for the year ended March 31, 2016 is as below:

a. Decrease in Revenue from Operations : INR 352 (net of opening)
b. Increase in cost of materials consumed: INR 229 (net of opening)
c. Decrease in change in inventories of work-in-progress, stock-in-trade and finished goods: INR 327 (net of opening)
d. Decrease in Excise duty: INR 229 (net of opening)
e. Increase in inventories : INR 1,045 (2015 : INR 719)
f. Decrease in trade receivables: INR 1,154 (2015 : INR 802)
g. Corresponding deferred tax asset on aforesaid items amounted to INR 37 (2015: INR 28) has been created with a corresponding increase in deferred tax income.
h. Reduction in Reserves and Surplus by INR 56 as at April 1, 2015 and INR 72 as at March 31, 2016.

3. Excise duty

Under the previous GAAP, revenue from sale of products was presented exclusive of excise duty. Under Ind AS, revenue from sale of goods is presented inclusive of excise duty. The excise duty paid is presented on the face of the statement of profit and loss as part of expenses. This change has resulted in an increase in total revenue and total expenses for the year ended March 31, 2016 by INR 134,391. Also, an amount of INR 151 has been reclassified from other expenses to excise duty. There is no impact on the total equity and profit.

57. First-time adoption of Ind AS *(continued)* All amounts in INR Million

4. Trade discount

Under Indian GAAP, trade and cash discounts of INR 4,164 was recognised as part of other expenses which has been adjusted against the revenue under Ind AS during the year ended March 31, 2016.

5. Remeasurements of post-employment benefit obligations

Under Ind AS, remeasurements i.e. actuarial gains and losses and the return on plan assets, excluding amounts included in the net interest expense on the net defined benefit liability are recognised in other comprehensive income. Under the previous GAAP, these remeasurements were forming part of the profit or loss for the year. As a result of this change, the profit for the year ended March 31, 2016 decreased by INR 177 with a corresponding increase in Other Comprehensive Income. There is no impact on the total equity as at March 31, 2016. Deferred tax assets of INR 65 reclassified to other comprehensive income on this account.

6. Fair valuation of investments

Under the previous GAAP, investments in equity instruments other than investments in subsidiaries and mutual funds were classified as long-term investments or current investments based on the intended holding period and realisability. Long-term investments were carried at cost less provision for other than temporary decline in the value of such investments. Current investments were carried at lower of cost and fair value. Under Ind AS, these investments are required to be measured at fair value.

Fair value changes with respect to these items designated as at FVOCI have been recognised in FVOCI- equity investments reserve as at the date of transition and subsequently in the other comprehensive income for the year ended March 31, 2016. This resulted in an increase of INR 8,417 in investments and an equivalent increase in other reserves as at the transition date, which includes gains of INR 70 on equity investments unsold as at March 31, 2016

- Fair value gain of INR 187 for the year ended March 31, 2016 which is accounted under FVOCI reserves with a corresponding increase in investment, which includes a loss of INR 2 on equity investments unsold as at March 31, 2016

- Gain of INR 8,536 on sale of investments during the year ended March 31, 2016 which was earlier recognised under exceptional items in previous GAAP, has been recognised under Ind AS as part of FVOCI reserve as at transition date of INR 8,347 and in other comprehensive income of INR 189 for the year ended March 31, 2016

- FVOCI equity instruments reserves as at March 31, 2016 has increased by INR 68 (representing gains on transition amounting to INR 70 and loss of INR 2 during the year ended March 31, 2016) as compared to previous GAAP for unsold equity investments as at March 31, 2016.

7. Assets classified as held for sale

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). Accordingly, following assets and liabilities were classified as assets / liabilities of disposal group held for sale.

	As at March 31, 2016
Assets classified as held for sale	
Property, plant and equipment	28
Inventories	94
Trade receivable	45
Cash and cash equivalents	53
Other current assets	82
Total assets classified as held for sale	**302**
Liabilities directly associated with assets classified as held for sale	
Trade payables	83
Other financial liabilities	45
Total liabilities directly associated with assets classified as held for sale	**128**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

8. Tie-up manufacturing arrangements

The Group has entered into arrangements with certain distilleries and bottling units (Tie-up units) for manufacture and marketing of its own brands. The Tie-up units have necessary license and regulatory permits to manufacture beverage alcohol. Under previous GAAP Group had recognised net surplus from operation through other Tie-up units under Revenue from operations. However, under Ind AS 18, Group has aggregated the below mentioned amounts in it's statement of profit or loss and Balance sheet with respect the aforesaid on-behalf manufacturing activity carried out by Tie-up units. Consequent to these changes, there is no impact on the total equity and profit.

In the statement of Profit or loss

Particulars	For the year ended March 31, 2016
Increase / (decrease)	
Revenue from operations	15,890
Excise duty	19,947
Cost of materials consumed	10,386
Purchases of stock-in-trade	(14,829)
Changes in inventories of work-in-progress, finished goods and stock in trade	(89)
Other expenses	476

In Balance sheet

Particulars	As at March 31, 2016	As at April 1, 2015
Increase / (decrease)		
Inventory	1,328	1,142
Other financial assets	(750)	(1,142)
Total	**578**	**-**
Other current financial liabilities	578	-
Total	**578**	**-**

9. De-recognition of borrowing cost capitalised on inventory

Ind AS 23 does not require borrowing costs directly attributable to the inventories to be capitalised. Under previous GAAP, these cost were capitalised to inventory. Accordingly, inventory as at March 31, 2016 has reduced by INR 713 (2015: INR 536) with a corresponding adjustment to retained earnings. The profit for the year ended March 31, 2016 reduced by INR 178 as a result of additional interest expense with a corresponding decrease in inventory. Corresponding deferred tax asset amounted to INR 242 (2015: INR 198) has been created. Net reduction in retained earnings is INR 338 as at April 1, 2015 and INR 472 as at March 31, 2016.

10. Reversal of brand amortisation

Under Indian GAAP, Brand was amortised over a period of 10 years which was recognised as part of Depreciation and amortisation expense. Based on the assessment performed by the management, it has been determined that these Brand has an infinite useful life under Ind AS. As a result of this change, the profit for the year ended March 31, 2016 increased by INR 4 as a result of reversal of depreciation and amortisation expense.

11. Stamp duty on erstwhile amalgamations

The Company had omitted recognition of stamp duty payable and penalties payable on various amalgamations effected through court orders in earlier years. On adoption of Ind AS, at the date of transition the Company has recorded the stamp duty and penalties payable upto the transition date amounting to INR 188 (2015: INR 175) through debit to retained earnings. For the year ended March 31, 2016, the Company has recognised charge of INR 13 in the statement of profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. First-time adoption of Ind AS *(continued)* All amounts in INR Million

12. Sales tax deferment

Under Ind AS, the benefit of Government loans below the market rate of interest are accounted as Government grants. The Group is eligible for sales tax deferment on sales effected during the sales tax deferral scheme period and is repayable after a certain period without any interest. The aforesaid Government grant is measured as the difference between the fair value of the loan and the actual proceeds received. The fair value of the long-term loan is measured at the present value of the future cash payments discounted using the prevailing market rate(s) of interest. Under the previous GAAP, this Government loan is not treated as a grant and carried at book value as unsecured borrowing. All the conditions attached to the Government grant have been complied with, before the date of transition. As a result of this change, the amount of sales tax deferment considered in other borrowings and other financial liabilities have been reduced by INR 57 (2015: INR 73) and INR 16 (2016: INR 16) as at the transition date with a corresponding increase of INR 73 in retained earnings. The impact on the profit for the year March 31, 2016 is INR 17 due to the notional interest expenditure recognised on the interest free sales tax deferment. The cumulative reduction in other financial liabilities as at March 31, 2016 was INR 56.

13. Non-controlling interests (NCI)

Ind AS 110 requires that total comprehensive income should be attributed to the owners of the parent and NCI, even if this results in the NCI having a negative balance. Ind AS 101 requires this to be implemented prospectively from the date of transition to Ind AS. However, if an entity elects to apply Ind AS 103 retrospectively to past business combinations, it has to also apply Ind AS 110 from the same date. The Group has elected to apply Ind AS 103 prospectively, from the date of transition to all business combinations. Accordingly, NCI has increased by INR 39 with a corresponding decrease in reserves as at March 31, 2016.

14. Cumulative translation differences

Ind AS 101 permits cumulative translation gains and losses to be reset to zero at the transition date. The Group elected to reset all cumulative translation loss of INR 175 (2016: Gain of INR 498) to zero by transferring it to opening retained earnings at its transition date. There is no impact on equity or profit. Consequently for the year ended March 31, 2016, cumulative translation loss released to statement of profit and loss (as exceptional item) on disposal of Bouvet Ladubay (2016: Gain of INR 498) has been reduced by INR 460.

15. USL Benefit Trust

Based on a control assessment carried out by the Group under Ind AS 110, USL Benefit Trust has been assessed as a subsidiary of the Group. Accordingly, the assets, liabilities, incomes and expenses of USL Benefit Trust have been consolidated with the Group on a line by line basis. Impact on the consolidated balance sheet is summarised below:

Particulars	As at April 1, 2015
Decrease in Investments	(1,197)
Increase in Cash and bank balances	49
Decrease in other current assets	(8)
Decrease in Reserves	(1,156)

16. Investment property

The Group owns beneficial interest, but not the legal title to Keillour Castle in Scotland. This property was formerly held in the Balance Sheet as at March 31, 2016 at INR 92 (2015: INR 90). As the Group does not own the legal title, which is an impediment to the disposal of the property, it was determined by management that a more appropriate fair value was nil. As this position existed at March 31, 2015 the value of Keillour Castle has been restated to Nil from INR 92. This resulted in reduction in the value of investment properties by INR 92 as at March 31, 2016 (2015: INR 90).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

57. First-time adoption of Ind AS *(continued)*

All amounts in INR Million

17. Deferred taxes on accumulated losses

Under previous GAAP, deferred taxes were recognised based on Profit & loss approach i.e. tax impact on difference between the accounting income and taxable income. Under Ind AS, deferred tax is recognised by following balance sheet approach i.e. tax impact on temporary difference between the carrying value of asset and liabilities in the books and their respective tax base. Consequently, deferred tax asset amounted to INR 355 (2015: INR 471) has been created with a corresponding increase in deferred tax income.

58. Sovereign Distilleries Limited (SDL)

SDL had earlier paid advance of INR 33 (2016: INR 33) and incurred registration charges of INR 1 disclosed as capital advances for purchase of land. Subsequently, a case has been filed by the land owners against the Company and the erstwhile promoters for declaration of ownership and vacant possession of the land belonging to them. SDL has filed a written statement along with a counter claim before the Honourable Senior Civil Judge. Based on the legal opinion, the management is hopeful of resolving the issues in due course. SDL's pending litigation comprise proceedings pending with Authority. SDL does not reasonably expect the outcome of this proceeding to have a material impact on its financial statements.

59. Term liability towards franchise right

The Group through its subsidiary RCSPL holds the perpetual right of the Bangalore Franchise of BCCI-IPL. Although this right is perpetual, the management believes that it would be prudent to consider this having a 'finite' rather than an 'infinite' life. The limited over version of the game which was first introduced in 1970s is continuing even now after 46 years and an even shorter version (20 over) has recently being introduced and is more popular than the 50 over format. The Management has held discussion internally as well as with other experts in the field on the subject of useful life and the period of amortisation. Although the Management regards the useful life as indefinite, as a measure of prudence a useful life of 50 years is considered as appropriate and the rights are amortised over 50 years having regard to the following factors:

i. The game of cricket has been in existence for over 100 years and there is no indication of interest in the game and the commercial prospects waning and the shorter version of the game is increasingly popular.
ii. The commercial exploitation of the shorter version is on an increasing scale and is expected to reach the scale which other games like soccer have reached, globally.
iii. This industry (cricket) is, therefore, highly stable and the market demand for this game is likely to remain for at least 50 years with its spread to many countries.
iv. IPL and its teams have acquired brand status and teams are not identified with countries or geographies but with brand names.
v. The franchisees have the intent and ability to provide the necessary financial and other resources required to obtain the expected future economic benefits from this for at least 50 years.

Franchisee fee payments to be made up to 2017 have been capitalised. From and including 2018 an amount equal to 20% of the franchise income received in respect to each year is payable as franchise fees. The carrying value of the capitalized right is assessed for impairment at every Balance Sheet date. The carrying amount of Franchise Right as at March 31, 2017 is INR 3,811 (2016: INR 3,904) to be amortised over the remaining period of 41 years (2016: 42 years). Term liability towards franchisee right at the year-end aggregating to INR Nil (2016: INR 754) is payable over a period of 1 year (2016: 2 years), of which INR Nil (2016: INR 338) is payable within one year.

The governing bodies of this sport in India and globally, over a period of last 7 to 15 years have experienced annualized growth of 19% to 35% in their media / central rights. The Management believes that given the sheer appeal of this format, which has surpassed all expectations, an annualised projected growth rate of approximately 6% is reasonable. Based on the facts above, the Management believes that there is no impairment on the franchise right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

60. Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016:

Amount in INR

Particulars	Specified Bank Notes	Other denomination notes	Total
Closing cash in hand as at November 8, 2016	1,220,000	479,185	1,699,185
(+) Receipts not permitted*	145,500		145,500
(+) Permitted receipts	-	1,721,798	1,721,798
(-) Permitted payments	1,04,000	969,580	1,073,580
(-) Amount deposited in banks	1,261,500	781,110	2,042,610
Closing Cash in Hand as at December 30, 2016	**-**	**450,293**	**450,293**

* includes INR 17,500 which were returned by employees from imprest balances.

61. During the year ended March 31, 2017 no material foreseeable loss was incurred for any long-term contracts including derivative contracts.

As per our report of even date attached

for **Price Waterhouse & Co Chartered Accountants LLP**
Chartered Accountants
Firm registration number: 304026E/E-300009

Pradip Kanakia
Partner
Membership number: 039985

Place : Stockholm
Date : May 30, 2017

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director &
Chief Executive Officer

Sanjeev Churiwala
Executive Director &
Chief Financial Officer

V. Ramachandran
Company Secretary

Place : Bengaluru
Date : May 30, 2017

Map not to scale. Only for representation purpose.

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