

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Annual Report of Pioneer Distilleries Limited for the financial year ended 31 March 2016.

I am privileged to be the Managing Director of Pioneer Distilleries Limited (PDL). When I joined the Board of PDL in October 2015, it was because the promising opportunity was so evident that I wanted to be a part of this company's future. Everything that I have witnessed in the last several months makes me confident that the Company is on the right track to deliver on that promise.



While there are many important issues to talk about, three things stand out: (i) the Company's commitment to the highest standards of corporate governance, and intense focus on compliance and ethical conduct in everything we do, (ii) a strong move to strengthen commercial and operational controls, and institute robust systems and processes, and (iii) making the right investments in our manufacturing facilities. In all of the above, the Company has been fully supported by its principal shareholder and its holding company namely United Spirits Limited (USL).

Improving efficiencies

We continuously drove greater efficiencies in our systems through prudent initiatives and improved processes. Our persistent efforts to enhance productivity through rationalization of COGS (Cost of Goods Sold) have yielded significant savings, as we work towards bringing greater cost efficiencies into our supply chain. This cuts across access to raw materials, manufacturing processes and logistics. We will continue to focus on managing working capital and improving cash flow, as well as further reducing debt.

India presents one of the most exciting opportunities in the world. The country is forging ahead as the fastest growing economy. What makes India particularly attractive is not just the economic growth, but what constitutes and drives such growth. An upwardly mobile aspirational middleclass and a vast number of consumers moving towards affluence is ensuring that the core consumption fundamentals remain robust.

We have made good strides in our transformational journey, and while there is more work to be done to reduce complexity in the way we work and simplify the organization structure to deliver efficiency and growth, I am confident that every single building block we put in place last year has set us firmly on the runway to success.

Performance Overview

The year 2015-16 was indeed challenging, with severe drought in Maharashtra leading to shortage of process water and availability of raw material viz., Grain. Amidst this backdrop, the Company was able to leverage on our solid fundamentals and resilient nature to deliver profit first time since 2010-11 and growth in IMFL bottling volumes in 2015-16. For the financial year ended 31st March 2016, the Company recorded and delivered Profit After Tax of Rs.342,384,201.

The Company has installed and commissioned additional IMFL bottling line during the year 2015-16. Despite the adverse environment, we started off on a strong note and continued to record stable results throughout the year, propelled by the increased IMFL bottling volumes for USL. This has helped to accrue mega subsidy due for the Company. We have accrued Rs. 81.27 Cr Government subsidy during the year 2015-16. As a proactive step to mitigate the process water non availability, the Company has commissioned bore wells and supported partial operations. We had stopped Molasses ENA plant operations since February 2016. The same was disclosed to shareholders through our notifications dated March 03, 2016 and June 29, 2016. However, the Company has taken up expanding water storage facilities so that storage of 20 Cr liters of water through rain water harvesting is available. This will help us to reduce our carbon footprint. The Company has commenced Malt spirit plant operations in March 2015. This will help to utilize the company's investments made in this facility. We have supplied fresh malt spirits to USL. We will be setting up malt maturation facility during 2016-17 and will be ready to sell matured malt spirit during the 4th quarter of FY 2016-17.

The Company has developed business strategy up to 2020 and the same was approved by board to invest around Rs.120 Cr to enhance IMFL production from 7.2 lakh cases to 24 lakh cases per year, setting up Malt production facility of 36 lakh liters and upgradation of ENA plant facilities to improve efficiency and effectiveness of operations. We will be availing Mega subsidy from Maharashtra Government against these investments. We expect to complete the investments by June 2017. The Company's performance is expected to improve significantly thereafter. Ultimately, we are committed towards maintaining our business strategy of prudent cost management, coupled with proactive investments for the future.

With alcohol being a state-controlled subject, the industry faces challenges in procuring numerous licenses and label approvals, varied excise regulations etc; this adds complexity, makes time lines uncertain, restricts products from being distributed freely nationally and inter-state taxes limit economies of scale. All this makes the business environment not just difficult, but also unpredictable.

Corporate Governance

As a responsible corporate citizen, we believe that transparency is an important value across our organization, including activities related to corporate social responsibility, which is our way of doing business.

A changing culture

As an organization that is fighting fit to deliver for today, our human capital is dynamically evolving to take on future opportunities. During the year, we continued to evolve our organizational design and structure, upgrading talent and building capabilities, while providing people with job rotation and growth opportunities. We also unveiled policy changes aimed at bringing about a shift in the cultural mindset, more openness and transparency in the organization, with more clarity and accountability for performance that is enabling the evolution of an organization that aims to become a better place to work.

Creating shared value /Corporate Social Responsibility

We believe that in order for us to create long-term value for our shareholders, it is imperative that we create value for the communities in which we operate. The Company focuses on two pillars which have the greatest potential for joint value creation with society: Water & Environment and Rural Development. As fundamental areas which are core to our business strategy and operations, these pillars are also part of our sustainability commitments which we aim to uphold and protect for generations to come.

As part of our dedication to environmental sustainability, the Company made the commitment to set up 6.4 Megawatt steam Turbine and power distribution system to support 100% captive power requirement. This will be operational during the year 2017.

The Company has developed 2.5 KM of road and provided Florine free drinking water to Allur village. The Company has also completed desilting of lakes in nearby villages to enhance water storage capacity of reservoirs. The Company is also supporting schools to implement digital class rooms to improve the quality of education.

Appreciation

The Board would like to extend its deepest appreciation to the management team for their dedication and commitment in driving the Company forward. Our sincere thanks also goes to all employees for playing an important role in ensuring that the Company continues to be leading Distillery in Maharashtra. We would also like to express our gratitude to partners and customers for their support to our Company.

I thank you for your continued faith and support.

B V Krishna Reddy
Managing Director

Pioneer Distilleries Limited

Corporate Identity Number: L24116AP1992PLC055108

Reg. Office: UB House, Plot No.36, Street No.4, Srinagar Colony, Hyderabad 500 073

Tel: +91 40 6674 7388; Fax: +91 40 6674 7386

Web: www.pioneerdistilleries.com Email: info@pioneerdistilleries.com

Notice

Notice is hereby given of the twenty third Annual General Meeting (“AGM”) of Pioneer Distilleries Limited (the “**Company**”) to be held at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016 on Monday, September 26, 2016 at 12.00 Noon for the following purposes:

Ordinary Business:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the financial year ended March 31, 2016, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon;
2. To appoint a Director in place of **Ms. Mamta Sundara (DIN: 05356182)**, who retires by rotation and being eligible, offers herself for re-appointment;
3. To re-appoint Statutory Auditors and to fix their remuneration.

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules made thereunder, and pursuant to the recommendation of the Audit Committee of the Board of Directors, M/s. Lodha & Co, Chartered Accountants (Firm Registration Number: 301051E), be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this AGM till the conclusion of the twenty eighth AGM, subject to ratification of the appointment by the members at every AGM held after this AGM and that the Board of Directors be and are hereby authorized to fix such remuneration as may be recommended by the Audit Committee in consultation with the Auditors.

Special Business:

To consider and if thought fit, to pass with or without modification(s), the following Resolutions:

4. As an Ordinary Resolution:

Appointment of Ms. Junia Sebastian as an Independent Director:

RESOLVED that pursuant to the provisions of Sections 149, 150 (2), 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the

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Companies Act, 2013, Ms. Junia Sebastian (DIN: 06971903), Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five years from April 20, 2016 to April 19, 2021, who shall not be liable to retire by rotation.

5. As an Ordinary Resolution:

Approval of agreements for tie-up manufacture of Indian Made Foreign Liquor products and licensing of trade marks therefor, to be entered, between the Company and United Spirits Limited, which is a material related party transaction:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the agreements for tie-up manufacture of Indian Made Foreign Liquor ("IMFL") products and licensing of trade marks therefor, to be entered into by the Company with United Spirits Limited for an amount of up to Rs.130 crores per annum (plus applicable taxes and levies) for the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019 as explained in the explanatory statement, be and are hereby approved.

Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

6. As an Ordinary Resolution:

Approval of arrangements for the sale of Extra Neutral Alcohol by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company and subject to the provisions of the Memorandum and Articles of Association of the Company, approval of the shareholders be and is hereby accorded to the Company for entering into arrangements for the sale of Extra Neutral Alcohol by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019 for an amount of up to Rs.120 crores per annum (plus applicable taxes and levies), as explained in the explanatory statement.

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Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

7. Approval of arrangements for the sale of Malt Spirit by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company and subject to the provisions of the Memorandum and Articles of Association of the Company, approval of the shareholders be and is hereby accorded to the Company entering into arrangements for the sale of Malt Spirit by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019 for an amount of up to Rs.35 crores per annum (plus applicable taxes and levies), as explained in the explanatory statement.

Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

8. As an Ordinary Resolution:

Approval of arrangements for recharge of salary by the Company to United Spirits Limited for the financial year 2016-17, 2017-18 and 2018-19:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company and subject to the provisions of the Memorandum

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and Articles of Association of the Company, approval of the shareholders be and is hereby accorded to the Company entering into arrangements for Recharge of salary of executives of United Spirits Limited, holding company of the Company, deployed at the Corporate Office of the Company, for an amount of up to Rs.60 Lakhs p.a. (plus applicable taxes) from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019.

Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

By Order of the Board

Bangalore
August 25, 2016

SANTHOSH KUMAR KEERTHI
Company Secretary

NOTES:

Please refer to the explanatory statement given hereunder.

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/HER BEHALF ONLY ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Pursuant to the provisions of Section 105 of the Companies Act, 2013 and rules made thereunder, a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Members holding more than ten percent of the total share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.

The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for holding of the AGM.

2. The Transfer Books and Register of Members will remain closed from September 19, 2016 to September 26, 2016 (both days inclusive).
3. Members are requested to intimate immediately to the Company's Registrars and Transfer Agents, M/s. Venture Capital and Corporate Investments Private Limited, Regd. Office: 12-10-167, Bharat Nagar, Hyderabad 500 018, in case of physical form and to their respective Depository Participants, in case of shares held in dematerialized/electronic form:
 - a. any change in their registered addresses along with PIN Code Number;

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- b. details about their email addresses, if any, so that all notices and other statutory documents which are required to be sent to the Members, as per the provisions of the Companies Act, 2013, can be sent to their email addresses; and
 - c. details about their bank account number, name of the bank, bank's branch name and address to enable the Company to draw dividend warrant payable accordingly.
4. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
5. Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
6. Nomination facility for shares is available for Members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
7. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members having the physical share certificates are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerialising their shareholdings in the Company.
8. In terms of Section 205A and 205C of the Companies Act, 1956, the amount of dividend declared for the financial year 2008-09 and thereafter remaining unclaimed for a period of seven years from the due date of payment shall hereafter be transferred to the Investor Education and Protection Fund on the respective due dates.
9. Members may kindly note that once the Unclaimed/Unpaid Dividend is transferred to the Fund, no claim shall lie against the Fund or the Company in respect of the individual amounts which were Unclaimed and Unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.
10. Members attending the AGM are requested to bring with them the following:
 - a. Members holding shares in dematerialized form, their DP & Client ID Numbers.
 - b. Members holding shares in physical form, their Folio Numbers.
 - c. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the AGM.
 - d. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

The Company would accept only the Attendance Slip from a member actually attending the AGM; or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the AGM. Attendance Slips of Members/valid proxies not personally present

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at the AGM, or relating to Proxies which are invalid, will not be accepted from any other member/person.

The AGM is for members or their proxies only. Please avoid being accompanied by non-members/children.

11. The Company has designated an exclusive email id viz., pdlinvestor@unitedspirits.in to enable the investors to post their grievances and monitor its redressal.
12. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the AGM.
13. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to Members with a facility to exercise their right to vote at the AGM by electronic means and the business may be transacted through electronic voting ("e-voting") services provided by National Securities Depository Limited ("NSDL"):
14. The instructions for e-voting are as under:
 - (i) In case of shareholders receiving an email from NSDL:
 - (a) Open e-mail and open PDF file titled "PDL E-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - (b) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>.
 - (c) Click on "Shareholder" – "Login".
 - (d) Type your user ID and initial password as mentioned in Step (a) above.
 - (e) Click Login.
 - (f) Password change menu appears, change the password with the new password of your choice with minimum of 8 digits / characters or a combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (g) Home page of "e-Voting" opens. Click on "e-Voting": Active Voting Cycles.
 - (h) Select "EVEN" of Pioneer Distilleries Limited.
 - (i) Now you are ready for "e-Voting" as "Cast Vote" page opens.
 - (j) Cast your vote by selecting the appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (k) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.,) are required to send scanned copy (PDF/JPG format) of the relevant board resolution / authority letter etc. together with an attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by an e-mail to pdlscrutinizer@gmail.com with a copy marked to evoting@nsdl.co.in.
 - (ii) In the case of shareholders other than those referred to in paragraph 14 (i) above, your initial

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password is provided at the bottom of the Attendance slip for the AGM. Please follow all steps from paragraph (b) to (k) above to cast your vote;

- (iii) If you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote; and
- 15. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com.
- 16. The e-voting period commences on September 23, 2016 (10:00 a.m.) and ends on September 25, 2016 (5:00 p.m.). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of September 19, 2016, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter.
- 17. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of September 19, 2016.
- 18. Mr. Depuru Raghavendar Rao, Company Secretary in Practice (CP - 13407; Address: Flat No.113, Block B, Sri Datta Sai Commercial Complex, Opp: Sathagiri Theatre, RTC 'X' Roads, Hyderabad 500 020) has been appointed as the Scrutinizer to scrutinize the e-voting process.
- 19. The Scrutinizer shall, not later than 48 hours after the conclusion of the AGM, unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairperson/any other Director(s)/a person authorized by Chairperson of the Company.
- 20. The Results shall be declared on or after the AGM of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website - www.pioneerdistilleries.com and on the website of NSDL within forty eight (48) hours of passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.
- 21. Documents referred to in this Notice and the accompanying Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 a.m. to 5.00 p.m.) on all working days except Saturdays, up to and including the date of the AGM of the Company.

STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.4: Appointment of Ms. Junia Sebastian as an Independent Director:

In compliance with the provisions of Regulation 17 of the SEBI Listing Regulations, the Board of Directors of the Company had appointed Ms. Junia Sebastian (DIN: 06971903), as an additional director of the Company in the capacity of Independent Director on April 20, 2016 not liable to retire by rotation.

In accordance with the provisions of Section 161 of Companies Act, 2013, Ms. Junia Sebastian shall hold office up to the date of this AGM and is eligible to be appointed as an Independent Director for a term up to five years. The Company has received notice under Section 160 of the Companies Act, 2013 from a member signifying its intention to propose her appointment for a period of five years.

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Ms. Junia Sebastian part of ALMT's corporate-commercial team. She was admitted to the Bar in 2001 after receiving BA and BL degree from Dr. Ambedkar Government Law College in Chennai. She had completed her Masters' in International Law and Constitutional Law from University of Madras in 2003. Prior to joining ALMT Legal in August 2004, she was working with another reputed law firm, Dr. Kainth & Associates in Chennai and Bangalore.

Ms. Junia has advised and assisted a number of clients in establishing their presence in India and overseas jurisdictions through incorporations of companies and/or setting up of branch/liaison offices. She has also been involved in filing of applications for approvals and reporting with the Foreign Investment Promotion Board and Reserve Bank of India. She has also advised a number of Indian & foreign companies in matters relating to issue of securities including Initial Public Offerings, Rights Issues, Qualified Institutional Placements. Her Capital Markets experience includes acting for the listing company or investment banks in Initial Public Offerings of Indian companies on Indian stock exchanges and their foreign holding entities on the Alternative Investment Market. She has extensively worked on various employment law matters including those arising as a consequence of business transfers, integration of acquired businesses and internal compliance audits. In this regard, she has drafted and advised on employment related documentation including ESOPs (Employee Stock Ownership Plan), Employee Policies and Code of Conduct, Employee Contracts for senior managers and service agreements.

Ms. Junia also regularly advises clients on Corporate Commercial transactions and matters of Company Law. She has substantial experience in the area of commercial law and contracts, which includes reviewing and drafting broad range of commercial contracts including joint venture agreements, teaming agreements, service agreements, technology and trade mark agreements, supply and distribution contracts and marketing contracts. Her experience in the Information Technology (IT) sector involves drafting and reviewing agreements including software vendor contracts, software license agreements, service level agreements, confidentiality agreements, consultancy agreements, technology licensing agreements, web disclaimer, terms and conditions of use of website, privacy policy. In addition to her responsibilities as partner at ALMT Legal, she has been instrumental in creating anti-sexual harassment policies for various companies and has been part of the internal compliance committees of such companies.

Ms. Junia Sebastian, is independent of the management and has submitted declaration that she meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013. In the opinion of the Board, Ms. Junia Sebastian fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for her appointment as an Independent Director of the Company and she has considerable experience and knowledge in her respective field to enable the Board to discharge her functions and duties efficiently.

A formal letter of her appointment as an Independent Director setting out the terms and conditions is available on the Company's website www.pioneerdistilleries.com and would also be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on working days except Saturdays, up to the date of the AGM.

No director, key managerial personnel or their respective relatives, except Ms. Junia Sebastian, to whom the resolution relates, is interested or concerned, financially or otherwise, in the resolution.

Ms. Junia Sebastian does not hold by herself or for any other person on a beneficial basis, any shares in the Company.

Your Directors recommend the above resolution for your approval.

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Item Nos.5 to 8: Approval of certain related party transactions:

A: General Comment

Requirement of approval of material related party transactions

In terms of Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), any material related party transaction requires the approval of the shareholders of the Company by way of an ordinary resolution.

An entity will be a “related party” of a Company in terms of the SEBI Listing Regulations, if it falls within the definition of “related party” either under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards. Since USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.

Further, a transaction with a related party shall be considered “material” if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of a Company as per the last audited financial statements of the Company. The aggregate value of the agreements and/or arrangements in Item Nos.5 to 8 in the financial year ending March 31, 2017 may exceed 10% of the estimated annual consolidated turnover of the Company in the previous financial year. Therefore, approval of the shareholders by way of an ordinary resolution in respect of such agreements and/or arrangements is being sought. For the sake of clarity, all the agreements and/or arrangements in Item Nos.5 to 8 are in the ordinary course of the Company’s business and at arm’s length basis. The related party transactions mentioned in Item Nos.5 to 8 have been certified by a Chartered Account firm and at arm’s length basis and are in the ordinary course of business.

In accordance with Regulation 23(4) of the SEBI Listing Regulations, all entities falling under the definition of related parties are required to abstain from voting irrespective of whether the entity is a party to the particular transaction or not. Accordingly, all shareholders of the Company who are related parties of the Company, including United Spirits Limited (holding 75% of the issued share capital of the Company), are required to abstain from voting on the resolutions in Item Nos.5 to 8 of this Notice.

On August 05, 2016, the Audit Committee unanimously approved the agreements and/or arrangements in Item Nos.5 to 8, subject to the approval of the Board and the Company’s shareholders. The Audit Committee has independently assessed the above agreements and/or arrangements (taking into account the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company), and has thereafter accorded its approval.

Thereafter, the Board has independently assessed the agreements and/or arrangements in Item Nos.5 to 8 (taking into account the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company), and has, on August 05, 2016, subject to the approval of the shareholders, approved the agreements and/or arrangements in Item Nos.5 to 8.

The arrangements are to be entered into at arm’s length basis and all other factors relevant to the Arrangements have been independently considered by the Board.

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B: Specific details

Item No.5: Approval of agreements for tie-up manufacture of Indian Made Foreign Liquor products and licensing of trade marks therefor, to be entered, between the Company and United Spirits Limited, which is a material related party transaction:

The existing Tie up Manufacturing Agreement (existing TMU Agreement) between PDL and USL dated September 02, 2013 is valid up to September 01, 2016 and the Company proposes to enter into a similar tie-up manufacture agreement with USL (the “**TMU Agreement**”), in terms of which the Company manufactures IMFL for USL and sells such IMFL to USL. Simultaneously, the Company also proposes to enter into a usership agreement with USL (the “**Usership Agreement**”), and together with the TMU Agreement, the (“**TMU Arrangement**”), in terms of which USL as the registered proprietor of trademarks used on products covered by the TMU Agreement, grant a license to the Company to use such trademarks on the goods manufactured by the Company under the TMU Agreement.

For the financial year ended March 31, 2016, supply of IMFL to USL has proved to be significantly value accretive to the Company and the Company has made a turnover of Rs.35.37 Cr under the existing arrangements in the financial year ended March 31, 2016. Similarly, in financial years ending March 31, 2017, March 31, 2018 and March 31, 2019 the Company expects to have a turnover of an amount of up to Rs.130 Cr p.a. (plus applicable taxes and levies). In addition, the Retention Amount (Retention Charges received from USL for bottling of IMFL under TMU agreement) received by the Company in the financial year ended March 31, 2016 is Rs.2.42 Cr, which, if aggregated with the amounts under other agreements or arrangements of the Company with USL during the same period, may exceed the threshold of 10% of the estimated annual consolidated turnover of the Company as per its audited financial statements for the previous financial year. In financial years ending March 31, 2017, March 31, 2018, and March 31, 2019 the Company expects to receive an estimated Retention Amount of up to Rs.10 Cr p.a. (plus applicable taxes and levies).

The TMU Arrangement to be entered into is at arms’ length basis, and the retention rate charged by the Company therein is commensurate with the market rate of other tie-up manufacturers in Maharashtra in the IMFL industry. The TMU Arrangement, significantly value accretive for the Company.

Entering the TMU Arrangement is very important for the Company, since it is one of the main components of the business and a primary source of revenue of the Company, and is expected to contribute to the improvement of the financial health of the Company in the near future. As USL and its associate units are the sole purchasers of IMFL from the Company, the TMU Arrangement is essential for the Company’s operations.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the TMU Arrangement are being set out as below:

(i) TMU Agreement

(a) Name of the related party: United Spirits Limited

Notice (Contd.)

(b) **Name of the director of key managerial personnel who is related, if any:** None

(c) **Nature of relationship:** Since USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.

(d) **Nature, material terms, monetary value and particulars of the contract or arrangement:**

- **Nature:** In terms of the TMU Agreement, the Company manufactures IMFL for USL and sells such IMFL to USL and other parties.
- **Material terms:**
 - The Company is required to manufacture such quantities of IMFL bearing such brand names as may be directed by USL.
 - The Company will have full control of its own factory wherein the IMFL brands are manufactured.
 - The Company will be free to engage in selling or providing similar goods associated with any other party and/or to manufacture non-competing goods of that other party with prior intimation to USL.
 - USL will provide technical support at its cost and depute its technical personnel / quality control officer to provide know-how and blending.
- **Monetary value:** As Above.
- **Particulars of contract or arrangement:**
 - The TMU Agreement will be co-terminus with the Usership Agreement.
 - Either party can terminate the TMU Agreement at any time by giving to the other three months’ notice in writing. The Parties can at any time, by consent jointly terminate this Agreement in writing. Either party can terminate this agreement with immediate effect by written notice in the event of other party, (i) default, breach non observance or non-performance of its obligations and where capable of remedy such default, breach, non-observance or non-performance remains not remedied in full after 30 days from written notice to remedy such failure; and (ii) wound up or dissolved by voluntary or involuntary proceedings or becomes insolvent or goes into liquidation or enters into any arrangement or composition with its creditors or a receiver, liquidator or trustee is appointed for any of its assets or undertaking(s) and has not been withdrawn after a period of thirty (30) days.

(e) **Any other information relevant or important for the members to take a decision on the proposed resolution:** As above.

(ii) Usership Agreement

(a) **Name of the related party:** United Spirits Limited

(b) **Name of the director of key managerial personnel who is related, if any:** None

(c) **Nature of relationship:** Since USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.

(d) **Nature, material terms, monetary value and particulars of the contract or arrangement:**

Notice (Contd.)

- **Nature:** In terms of the Usership Agreement, USL as the registered proprietor of trademarks used on products covered by the TMU Agreement, has granted a license to the Company to use such trademarks on the goods manufactured by the Company under the TMU Agreement.
 - **Material terms:**
 - USL has granted to the Company non-assignable non-exclusive permission to use certain trademarks (of which USL is the registered proprietor) only on certain goods wholly manufactured by the Company under the directions and specifications of USL from time to time.
 - The Company will sell the goods only in bottle of distinctive get-up, shape and design, with stoppers and crown as prescribed by USL.
 - **Monetary value:** As Above.
 - **Particulars of contract or arrangement:**
 - The Usership Agreement will be co-terminus with the TMU Agreement.
 - The Parties can, at any time, by mutual consent jointly terminate this Usership Agreement in writing. USL can terminate the Usership Agreement with immediate effect by giving notice in writing, (i) upon any breach of the terms and conditions of the agreement by giving to the Company thirty days' notice in writing and the Company failing to remedy the same in case the breach is capable of being remedied; and (ii) if the User challenges the validity of any of the intellectual property rights or the ownership thereof or rights therein. The Usership Agreement can be terminated by the Company with immediate effect by giving notice in writing if the other party is in material breach of any of the terms of this Usership Agreement and fails to remedy and/or take effective steps to remedy such breach within thirty (30) days of receipt of written notice from the Company.
- (e) **Any other information relevant or important for the members to take a decision on the proposed resolution:** As above.

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

Item No.6: Approval of arrangements for the sale of Extra Neutral Alcohol by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019:

The Company enters into arrangements with USL from time to time for sale of ENA by the Company to USL ("ENA Supply Arrangement"). As the market price of ENA fluctuates frequently, the price of ENA supplied by the Company to USL is agreed between the Company and USL on a monthly basis and on arm's length terms, i.e. ensuring that the purchase orders placed by USL with the Company are at prevailing market rates. The Company maintains a record of such prevailing market rates and verifies them against invoice copies of third parties supplying ENA at such relevant times.

For the financial year ended March 31, 2016, supply of ENA to USL has proved to be significantly value accretive to the Company, and the Company has made a turnover of Rs.48.77 Cr from supply of ENA to

Notice (Contd.)

USL. Similarly, in the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019 the Company expects to have a turnover of an amount of Rs.120 Cr p.a. (plus applicable taxes and levies) from USL under the ENA Supply Arrangement, which, if aggregated with the amounts under other agreements or arrangements of the Company with USL during the same period, may exceed the threshold of 10% of the estimated annual consolidated turnover of the Company in the previous financial year.

The ENA Supply Arrangement is at arms' length basis, and the rates that the Company charges USL for supply of ENA from time to time is commensurate with the market rates of other ENA suppliers at such relevant times. This is comparable to the prices of ENA charged by the Company to USL, and the prevailing market rates at such relevant times, all for the financial year ended March 31, 2016.

The ENA Supply Arrangement is very important for the Company, since it is one of the main components of the business and a primary source of revenue of the Company, and is expected to contribute to the improvement of the financial health of the Company in near future. As USL and its associate units are the sole purchasers of ENA from the Company, the ENA Supply Arrangement is essential for the Company's operations.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the ENA Supply Arrangement are being set out as below:

- (a) **Name of the related party:** United Spirits Limited
- (b) **Name of the director of key managerial personnel who is related, if any:** None
- (c) **Nature of relationship:** Since USL is the holding company of the Company, it is a "related party" of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.
- (d) **Nature, material terms, monetary value and particulars of the contract or arrangement:**
 - **Nature:** In terms of the ENA Supply Arrangement, the Company will supply ENA to USL.
 - **Material terms:** ENA will be supplied by the Company to USL at arm's length basis. USL will raise purchase orders on the Company, upon which the supply of ENA will be made by the Company.
 - **Monetary value:** As Above.
 - **Particulars of contract or arrangement:** The approval is being sought for the ENA Supply Arrangement for the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019. The parties will ensure that the purchase orders placed by USL with the Company for ENA are at prevailing market rates.
- (e) **Any other information relevant or important for the members to take a decision on the proposed resolution:** As above.

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Notice (Contd.)

Your Directors recommend the above resolution for your approval.

Item No.7: Approval of arrangements for the sale of Malt Spirit by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019:

The Company enters into arrangements with USL from time to time for sale of Malt Spirit by the Company to USL (“**Malt Spirit Supply Arrangement**”). As the market price of Malt Spirit fluctuates frequently, the price of Malt Spirit supplied by the Company to USL is agreed between the Company and USL on a monthly basis and at arm’s length terms, i.e. ensuring that the purchase orders placed by USL with the Company are at prevailing market rates. The Company maintains a record of such prevailing market rates and verifies them against invoice copies of third parties supplying Malt Spirit at such relevant times.

For the financial year ended March 31, 2016, supply of Malt Spirit to USL has proved to be value accretive to the Company, and the Company has made a turnover of Rs.1.24 Cr (plus applicable taxes and levies) under the existing arrangements. Similarly, in the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019, the Company expects to have a turnover of Rs.35 Cr p.a. (plus applicable taxes and levies) from such Malt Spirit Supply Arrangement, which, if aggregated with the amounts under other agreements or arrangements of the Company with USL during the same period, may exceed the threshold of 10% of the estimated annual consolidated turnover of the Company in the previous financial year.

The Malt Spirit Supply Arrangement is at arms’ length basis, and the rates that the Company charges USL for supply of Malt Spirit from time to time is commensurate with the market rates of other Malt Spirit suppliers at such relevant times.

The Malt Spirit Supply Arrangement is very important for the Company and is expected to contribute to the improvement of the financial health of the Company in near future. As USL and its associate units are the sole purchasers of Malt Spirit from the Company, the Malt Spirit Supply Arrangement is essential for the Company’s operations.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the Malt Spirit Supply Arrangement are being set out as below:

- (a) **Name of the related party:** United Spirits Limited
- (b) **Name of the director of key managerial personnel who is related, if any:** None
- (c) **Nature of relationship:** Since USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.
- (d) **Nature, material terms, monetary value and particulars of the contract or arrangement:**
 - **Nature:** In terms of the Malt Spirit Supply Arrangement, the Company will supply Malt Spirit to USL.

Notice (Contd.)

- **Material terms:** Malt Spirit will be supplied by the Company to USL at arm's length basis. USL will raise purchase orders on the Company, upon which the supply of Malt Spirit will be made by the Company.
- **Monetary value:** As Above.
- **Particulars of contract or arrangement:** The approval is being sought for the Malt Spirit Supply Arrangement for the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019. The parties will ensure that the purchase orders placed by USL with the Company for Malt Spirit are at prevailing market rates.

- (e) **Any other information relevant or important for the members to take a decision on the proposed resolution:** As above.

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

Item No.8: Approval of arrangements for recharge of salary by the Company to United Spirits Limited for the financial year 2016-17, 2017-18 and 2018-19:

PDL is undergoing a transformation both at business and talent levels. Being smaller company, it does not have requisite talent pool to support its transformation and growth plan. Its holding company, USL has the largest catchment of talent in alcobev/FMCG industry. USL is providing corporate support by deputing their executives in the Company. Currently, USL has deployed executives in Corporate Office, who would provide certain corporate services to the Company on a part time basis during the period of deputation. The transaction is being entered into at arm's length basis and in the ordinary course of business. There is no mark up costs added. It is about the salary, travel and local benefits cost which will be recharged hence considered as at arm's length and in ordinary course of transaction.

The Company has recharged an amount of Rs.1.35 Cr (plus applicable taxes) under the existing arrangements in the financial year ended March 31, 2016. Similarly, in the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019, the Company expects to recharge an amount of up to Rs.60 Lakhs p.a. (plus applicable taxes) which, if aggregated with the amounts under other agreements or arrangements of the Company with USL during the same period, may exceed the threshold of 10% of the estimated annual consolidated turnover of the Company in the previous financial year.

As required by Section 188 of the Companies Act, 2013 read with Rule 15(3) of the Companies (Meetings of the Board and its Powers) Rules, 2014, the following details for the recharge of salary arrangement are being set out as below:

- (a) **Name of the related party:** United Spirits Limited
- (b) **Name of the director of key managerial personnel who is related, if any:** None
- (c) **Nature of relationship:** Since USL is the holding company of the Company, it is a "related party" of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.

Notice (Contd.)

(d) Nature, material terms, monetary value and particulars of the contract or arrangement:

- **Nature:** Recharge of salary of executives of USL deployed at the Corporate Office of the Company for the financial years 2016-17, 2017-18 and 2018-19.
- **Material terms:** Salary cost will be recharged on actuals and no markup cost is added.
- **Monetary value:** As Above.
- **Particulars of contract or arrangement:** USL is providing support by deputing their executives in the Company. USL has currently deployed executives at Corporate Office on prorata time sharing basis.

(e) Any other information relevant or important for the members to take a decision on the proposed resolution: As above.

No Director, key managerial personnel or their respective relatives is concerned or interested, financially or otherwise, in the resolution.

Your Directors recommend the above resolution for your approval.

By order of the Board

Place: Bangalore
Date: August 25, 2016

Santhosh Kumar Keerthi
Company Secretary

Notice (Contd.)**Disclosure relating to Directors pursuant to Regulation 36 (3) of the SEBI Listing Regulations and Secretarial Standards on General Meetings:**

Name of Director	Ms. Mamta Sundara	Ms. Junia Sebastian
Date of Birth	19/04/1977	31/05/1979
Age	39 years	37 years
Date of Appointment	13/04/2015	20/04/2016
Expertise in specific functional Areas	Lawyer	Lawyer
Qualifications	B.A., LLB (Hons)	BA, BL and Masters' in International Law and Constitutional Law
No. of Board meetings attended	6	NA+
List of other Indian Directorships held	Diageo Business Services India Private Limited	JKM Ferrotech Limited
* Chairperson/ Member of the Committee of the Board of Directors of the Company	Stakeholders Relationship Committee (Chairperson)	Audit Committee (Member)
* Chairperson/ Member of the Committee of the Board of Directors of other companies in which she is a Director		
a. Audit Committee	Nil	Nil
b. Stakeholders Relationship Committee	Nil	Nil
No. of Shares Held in the Company	Nil	Nil
Relationship with other Directors/ Manager/ Key Managerial Personnel	Nil	Nil

** Note: Pursuant to the SEBI Listing Regulations, 2015 only two Committees viz. Audit Committee and Stakeholders' Relationship Committee are considered.*

+ Appointed as an Independent Director w.e.f. April 20, 2016

Route Map to Hotel Green Park



Venue:

Hotel Green Park,
Greenlands, Begumpet,
Hyderabad 500 073

Pioneer Distilleries Limited

Corporate Identity Number: L24116AP1992PLC055108

Reg. Office: UB House, Plot No.36, Street No.4, Srinagar Colony, Hyderabad 500 073

Tel: +91 40 6674 7388; Fax: +91 40 6674 7386

Web: www.pioneerdistilleries.com Email: info@pioneerdistilleries.com

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

I /we hereby record my / our presence at the 23rd Annual General Meeting held on Monday, September 26, 2016 at 12.00 Noon at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016.

Name & Address :

Folio No. / DP ID / Client ID :

No. of Shares :

Name of the Member / Proxy / Authorised Representative *

Signature of the Member / Proxy / Authorised Representative*

**strike off whichever is not applicable*

Notes:

1. The Company will accept only Attendance Slip of a person personally attending the meeting as a Member or valid proxy duly registered in time with the Company. The Company will not accept Attendance Slip from any other person even if signed by a Member. Members are requested not to be accompanied by non-Members or children.
2. Persons representing bodies corporate are required to submit with the Company original Resolution of the Board of Directors or other governing body of such Member, authorizing such person to act as its representative under Section 113 of the Companies Act, 2013.
3. Shareholders/Proxy holder/Authorised Representative attending the meeting should bring his/her copy of Annual Report for reference at the meeting.
4. To facilitate Members, registration of attendance will commence at 10.30 a.m. on September 26, 2016.
5. E-voting particulars are set out below:

EVEN (Electronic Voting Event Number)	USER ID	PASSWORD

Please refer Notice for instructions on e-voting.

E-voting facility will be open during the following period.

Commencement of E-voting	End of E-voting
Friday, September 23, 2016 at 10.00 a.m.	Sunday, September 25, 2016 at 5.00 p.m.

Members are advised that no Gifts will be distributed at the Annual General Meeting

Pioneer Distilleries Limited

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PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the member(s) : _____

Registered Address : _____

E-mail Id : _____

Folio No / Client Id : _____

DP Id : _____

I/We, being holder (s) of _____ equity shares of Pioneer Distilleries Limited hereby appoint

1. Name: _____ Address: _____

E-mail Id: _____ Signature: _____ or failing him / her

2. Name: _____ Address: _____

E-mail Id: _____ Signature: _____ or failing him / her

3. Name: _____ Address: _____

E-mail Id: _____ Signature: _____

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on Monday, September 26, 2016 at 12.00 Noon at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016 and at any adjournment thereof in respect of such resolutions as are indicated below:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the financial year ended March 31, 2016, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Ms. Mamta Sundara (DIN: 05356182), who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint statutory Auditors and to fix their remuneration.
4. Appointment of Ms. Junia Sebastian as an Independent Director.
5. Approval of agreements for tie-up manufacture of Indian Made Foreign Liquor products and licensing of trade marks therefor, to be entered, between the Company and United Spirits Limited, which is a material related party transaction.
6. Approval of arrangements for the sale of Extra Neutral Alcohol by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019.
7. Approval of arrangements for the sale of Malt Spirit by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019.
8. Approval of arrangements for recharge of salary by the Company to United Spirits Limited for the financial year 2016-17, 2017-18 and 2018-19.

Signed this day of 2016

Affix
Rs.1/-
Revenue
Stamp

Signature of the Shareholder: _____ Signature of the Proxy holder (s): _____

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. A person can act as a proxy on behalf of Members not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company. Further a Member holding more than ten percent of the total Share Capital of the Company carrying voting rights can appoint a single person as proxy and such person shall not act as a proxy for any other Member.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a Member.
4. In case the Member appointing proxy is a body corporate, the proxy form should be signed under its seal or be signed by an officer or an attorney duly authorised by it and an authenticated copy of such authorisation should be attached to the proxy form.
5. For the Resolutions, Explanatory Statement and notes please refer to the Notice of the Annual General Meeting.
6. Appointing a proxy does not prevent a Member from attending the meeting in person if he/she so wishes.
7. In case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.
8. Please complete all details including details of member(s) in the above box before submission.

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BOARD OF DIRECTORS :

B.V. Krishna Reddy

Managing Director

Mamta Sundara

R. Krishnamurthy

Junia Sebastian

COMPANY SECRETARY:

Santhosh Kumar Keerthi

AUDITORS :

Lodha & Co.,

Chartered Accountants,

6, Karim Chambers, 40,

A. Doshi Marg, (Hamam Street),

Mumbai 400 001

REGISTERED OFFICE:

UB House, Plot No.36

Street No.4, Srinagar Colony,

Hyderabad 500 073

**REGISTRARS &
TRANSFER AGENTS :**

**Venture Capital and Corporate Investments
Private Limited**

(CIN: U65993TG1986PTC006936)

H.No.12-10-167, Bharat Nagar,

Hyderabad 500 018

Tel: 040 2381 8475/76,

Fax: 040 2386 8024

Email: info@vccilindia.com

Website: www.vccilindia.com

Report of the Directors

Your Directors have pleasure in presenting the Annual Report of your Company and the audited accounts for the year ended March 31, 2016.

FINANCIAL RESULTS

The Summary of Financial Performance of the Company for the year 2015-16 is as under:

(Rs. in Lakhs)

Particulars	2015-16	2014-15
Net Sales	14,288.02	15,043.37
Add: Other income	8,355.13	3,201.33
Add: Increase / (Decrease) in stocks	(54.73)	1,664.74
Total Income	22,588.42	19,909.44
Less: Expenditure	14,380.57	16,966.74
Profit / (Loss) before depreciation, interest and tax	8,207.85	2,942.70
Less: Interest	2,231.25	3,923.84
Less: Depreciation	2,552.76	2,386.73
Profit / (Loss) before Tax	3,423.84	(3,367.88)
Provision for Taxation :		
• Tax relating to earlier years	0	(1,203.36)
Profit / (Loss) after Tax	3,423.84	(2,164.52)
Add: Balance brought forward from previous year	(12,015.69)	(8,667.67)
Balance carried to Balance Sheet	(8,591.85)	(12,015.69)

DIVIDEND

In view of the Accumulated Losses, your Directors do not recommend any Dividend on the equity shares of the Company.

TRANSFER TO RESERVE

No amount is proposed to be transferred to reserves during the year under review.

BOARD MEETINGS

During the year under review, six Board Meetings were held. The details of the same are covered in the Corporate Governance Report.

Report of the Directors (Contd.)

STATE OF COMPANY'S AFFAIRS

There have been no significant or material orders passed by the regulators or Courts or Tribunals impacting the going concern status and the company's operations in future.

Performance of the Company

The Company has achieved a Turnover of Rs.14,288.02 Lakhs for the financial year ended March 31, 2016 against the Turnover of Rs.15,043.37 Lakhs as on March 31, 2015. The Profit before tax of your Company during the financial year amounted to Rs.3,423.84 Lakhs. The Company has shown improved profit performance during the year as can be seen from the above results. The turnover of the Company was impacted due to shortage of water during the year. The Company is taking steps to minimize the impact on the Company due to any ongoing or future shortage of water.

DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on March 31, 2016, equity shares representing 92.44 % of the equity share capital are in dematerialization form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialization of the Company's shares.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board of Directors has appointed Mr. B.V. Krishna Reddy as Managing Director of the Company with effect from October 01, 2015 for a period of two years.

Ms. Junia Sebastian was appointed as an Additional Director of the Company in terms of Section 161 of the Companies Act, 2013, in the capacity of Independent Director, with effect from April 20, 2016. The Company has received notice under Section 160 of the Companies Act, 2013 in writing from a member signifying its intention to propose the candidature of Ms. Junia Sebastian as an Independent Director of your Company for a period of five years. Ms. Junia Sebastian will hold office till the date of the forthcoming AGM.

Mr. Vinod Rao appointed as a Director and Chairman of the Company on May 20, 2015, tendered his resignation as Director and Chairman of the Company with effect from October 14, 2015 and the Directors place on record their appreciation for the valuable services rendered by Mr. Vinod Rao during his tenure as Director and Chairman of your Company.

As per declarations received, no Director of the Company is disqualified to be appointed as a Director of any Public Limited Company in terms of Section 164(2) of the Companies Act, 2013.

Mr. Gopal Kothari was appointed as Chief Financial Officer (CFO) of the Company w.e.f. October 01, 2015 in place of Mr. Debasis Chaudhuri who resigned as CFO of the Company on September 30, 2015.

DECLARATION FROM INDEPENDENT DIRECTORS

In terms of Section 149(7) of the Companies Act, 2013, Independent Director(s) of the Company has/have submitted a declaration that they meet the criteria of Independence.

Report of the Directors (Contd.)

FAMILIARIZATION PROGRAMME UNDERTAKEN FOR INDEPENDENT DIRECTORS

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company at the link: <http://www.pioneerdistilleries.com/policies.php>.

REMUNERATION POLICY

The ratio of the remuneration of each director to the median employee's remuneration and other details during the financial year 2015-16, in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Corporate Governance Report and in form MGT 9, that is attached herewith and marked as **Annexure A**. As stated in the Corporate Governance Report, sitting fees are paid to Independent 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.

PERFORMANCE EVALUATION

Pursuant to the provisions of the Act, and Regulation 17 of the SEBI Listing Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, the performance of its Directors individually, as well as that of 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.

MATERIAL CHANGES AND COMMITMENTS

As discussed earlier shortage of water at the factory premises resulted in the production and sales at the factory being materially affected during the year. Other than this event, there are no material changes and commitments affecting the financial position of your Company between the end of the financial year of the Company to which the financial statements relate and on the date of this report.

COMMITTEES

The Companies Act, 2013 provides for the formation and duties of various committees of the Board. The Company has in place the required Committees with specific defined roles, duties and responsibilities.

Details of various Committees, meetings held and attendance at the various Committee meetings are given in the Corporate Governance Report.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

There are no loans given, investments made, guarantees given and securities provided by the Company which are covered under the provisions of the Section 186 of the Companies Act, 2013.

Report of the Directors (Contd.)

INTERNAL FINANCIAL CONTROLS

The Board considered material 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, commensurate with size of the Company and that such internal financial controls are broadly adequate and are operating effectively. The certification by the auditors on internal financial control forms part of the audit report.

AUDITORS

M/s. Lodha & Co, Chartered Accountants, the Auditors of your Company, hold office till the conclusion of the forthcoming Annual General Meeting ("AGM") of the Company and have given their consent for re-appointment. Pursuant to provisions of Section 139(2) of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules 2014, M/s. Lodha & Co are eligible for appointment as Auditors for a further period of five consecutive years. Your Company has received a written confirmation from M/s. Lodha & Co, Chartered Accountants to the effect that their appointment, if made, would satisfy the criteria provided in Section 141 of the Companies Act, 2013 for their appointment. The Board recommends the re-appointment of M/s. Lodha & Co, Chartered Accountants as the Auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the 28th AGM subject to the remuneration as may be recommended by the Audit Committee in consultation with the Auditors.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Sudhir Hulyalkar, Company Secretary in Practice to undertake the Secretarial Audit of the Company for the Financial Year 2015-16. The Secretarial Audit Report is given as **Annexure B** forming part of this Report.

BOARD OF DIRECTORS' RESPONSES TO OBSERVATIONS, QUALIFICATIONS AND ADVERSE REMARKS IN SECRETARIAL AUDIT REPORT

The Secretarial Auditor has made the following observations in his report:

- 1. The Company did not have minimum number of independent directors as required under Section 149(4) of the Act read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and also as required under Clause 49 of the erstwhile Listing Agreement and Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.*

Report of the Directors (Contd.)

As a result, the Audit Committee, the Nomination and Remuneration Committee were not constituted with the composition of its members as required under Section 177 and Section 178 of the Act and Rules made thereunder and also Clause 49 of the erstwhile Listing Agreement and Regulation 18 and Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Since there was only one Independent Director on the Board, there was also no meeting of Independent Directors held during the year as required under Clause VII (1) of Schedule IV of Companies Act, 2013 read with Secretarial Standard -1 and also as required under Clause 49 of erstwhile Listing Agreement, Regulation 25 (3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Due to this, the Company was not having optimum combination of Executive and Non-executive directors till the appointment of the Managing Director and an independent director made on September 30, 2015 and April 20, 2016 respectively, as required under Clause 49 of erstwhile Listing Agreement, Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Directors' Response: The Company has appointed Ms. Junia Sebastian, as Independent Director on April 20, 2016 and as member of the Audit Committee and Nomination and Remuneration Committee on April 27, 2016. With this appointment the requirement of minimum number of Independent Directors and composition of Audit Committee and Nomination and Remuneration Committee as per the provisions of the Companies Act, 2013 and the SEBI Listing Regulations have been met.

In view of the absence of required Independent Directors, meeting of Independent Directors was not held. The Company will comply with the same during the year 2016-17.

2. *In one instance, there was a gap of more than 4 months between two consecutive meetings of Audit Committee as against the requirement of frequency of such meetings during a year under Clause 49 of erstwhile Listing Agreement.*

Directors' Response: No Audit Committee meeting was held between November 11, 2014 and July 22, 2015, since the then Independent Directors on the Board resigned, resulting in the need to reconstitute the Audit Committee as per the provisions of the Companies Act, 2013 and the Listing Agreement. Since appointment of Independent Directors and replacement of nominee Directors of United Spirits Limited (holding company of the Company) took time, we held the Audit Committee meeting on July 22, 2015 as soon as the Board / Audit Committee were reconstituted.

RISKMANAGEMENT

The Company has a Risk Management framework. Risk evaluation by the management is an ongoing process within the organisation and is periodically reviewed by the Board of Directors.

Report of the Directors (Contd.)

WHISTLEBLOWERMECHANISM

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism for reporting illegal or unethical behaviour. The Company has a Whistle blower mechanism under which the employees and Directors are free to report violations of applicable laws and regulations and the Code of Conduct. During the year under review, no employee was denied access to the Audit Committee. The Whistle Blower Mechanism of the Company can be accessed on the website at the following link: <http://pioneerdistilleries.com/ispeak.php>.

RELATED PARTY TRANSACTIONS

The Company has formulated a Policy on dealing with Related Party Transactions (RPTs). The Policy is disclosed on the website of the Company at the web link: <http://www.pioneerdistilleries.com/policies.php>. All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations during the year were in the ordinary course of business and at an arm's length basis. There are no materially significant RPTs made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The details of the RPTs in Form AOC-2 is enclosed and marked as **Annexure C**. In accordance with Accounting Standard 18, the RPTs are disclosed under Note No.22 of the Notes to the Accounts.

CORPORATE GOVERNANCE REPORT

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

FIXED DEPOSITS

The Company has not accepted any deposits from public during the year.

LISTING OF EQUITY SHARES OF THE COMPANY

The Equity Shares of your Company continue to be listed with BSE Limited and National Stock Exchange of India Limited. The Annual Listing fees for the year 2016-17 have been paid to these Stock Exchanges.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A(5) and 205 C of the Companies Act, 1956, the Unclaimed Dividend, remaining unclaimed and unpaid for a period of more than 7 years, have been transferred to the Investor Education and Protection Fund.

Report of the Directors (Contd.)

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 have been followed.

Financial Year	Date of declaration	Amount Unclaimed/Unpaid as on 31.03.2016 (Rupees)	Due date for transfer
2008-09	30/09/2009	83,028	29/10/2016
2009-10	25/09/2010	295,809	24/10/2017

EXPLANATION TO THE QUALIFICATIONS IN AUDITOR'S REPORT

There are no qualifications or adverse remarks in the Auditor's Report.

HUMAN RESOURCES

The Company has no employee in respect of whom Statement under Section 197(12) of the Companies Act, 2013, is required to be annexed.

CONSERVATION OF ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under the Act is given in **Annexure D** to this Report.

EXTRACT OF THE ANNUAL RETURN

Pursuant to the provisions of Section 134(3)(a) of the Companies Act, 2013 an extract of the Annual Return in Form MGT-9 is given in **Annexure E** to this Report.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is presently not required to spend any amount under Corporate Social Responsibility (CSR) due to the average net profit of the last three years being negative. However, the Company has still met its social objectives by spending on the following CSR activities, in the vicinity of the Company's factory:

- 1) Support for starting Digital class room at Zilla Parishad School, Balapur (V) and at Bellur / Chincholi.
- 2) Support to Allur village for starting RO Plant. This has resulted in 1500 Families getting advantage of clean drinking water.
- 3) Cleaning of ponds at Chikana Village, which has allowed the pond to be filled up with rain water. The SDM / Deputy Collector Nanded has appreciated the efforts taken by your Company.
- 4) Completed road work from Allur Village to the Godavari River bank.
- 5) Arranged PAN-POI near Bus Stand for providing drinking water to travelers in summer for 3 months.

Report of the Directors (Contd.)

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place a policy on Prevention of Sexual Harassment at the Workplace in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. An Internal Complaints Committee has been setup to redress complaints received regarding sexual harassment. No complaint was received by the Company during the year ended March 31, 2016.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Companies, Act, 2013, the Board of Directors state 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) appropriate accounting policies have been selected and applied consistently and the judgments and estimates made 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 of the Company for the year ended March 31, 2016;
- (iii) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis;
- (v) proper internal financial controls which are commensurate with the nature, size and complexity of its business have been followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (vi) the Company has a system of getting reports of compliances periodically from the unit and is also in the process of putting proper systems in place to ensure compliance with the provisions of all applicable laws so that such systems are adequate and operate effectively.

ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation for the continued support from employees, shareholders, customers, suppliers, Banks, Government of Maharashtra & Telangana and other business associates.

By Authority of the Board

Bangalore
August 25, 2016

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Your Company is committed to pursue growth by adhering to the highest standards of Corporate Governance and is constantly striving to better them and adopt the best practices. At Pioneer Distilleries, it is imperative that our Company's affairs are managed in a fair and transparent manner.

Your Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming a formidable distillery Company, while upholding the core value of transparency, integrity, honesty and accountability, which are fundamental. Corporate governance is creation and enhancement of long-term sustainable value for the stakeholders through ethically driven businesses.

2. BOARD OF DIRECTORS

The Board of Directors of the Company at present comprises of a Managing Director, one Non-Executive Director and two Non-Executive Independent Directors.

During the financial year under review, six Board Meetings were held i.e. on May 25, 2015, July 22, 2015, August 31, 2015, September 30, 2015, November 05, 2015 and February 10, 2016.

Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) and the details of number of outside Directorship and Committee position held by each of the Directors as on date are given below:

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on 30.09.2015	Number of other Companies in which Director	No of Committees (other than the Company) as Chairperson/ Member
Mr. Ashok Capoor*	Non-Executive Director	2	No	NA	NA
Mr. Vinod Rao**	Non-Executive Chairman	3	Yes	NA	NA
Mr. B.V. Krishna Reddy+	Managing Director	2	NA	Nil	NA
Ms. Mamta Sundara	Non-Executive Director	6	Yes	1	Nil
Mr. R. Krishnamurthy	Non-Executive Independent Director	5	Yes	5	6 (Chairman of 3)
Ms. Junia Sebastian++	Non-Executive Independent Director	NA	NA	1	Nil

*Resigned as Director w.e.f. July 22, 2015

**Resigned as Director and Chairman w.e.f. October 14, 2015

+Appointed as Managing Director w.e.f October 01, 2015

++Appointed as an Independent Director w.e.f April 20, 2016

Corporate Governance Report (Contd.)

NOTE:

The above details are in respect of their Directorships only in Indian Companies:

- a) The other Company, in which Ms. Mamta Sundara is a Director, is a Private Limited Company.
- b) Out of 5 other Companies in which Mr. R. Krishnamurthy is a Director, 2 are Private Limited Companies, which are subsidiaries of a Public Company.
- c) None of the Directors are related to any other Director.

Directors' Profile

Details of the Directors seeking appointment/re-appointment at this AGM, pursuant to Regulation 36(3) of the SEBI Listing Regulations and as per the provisions mentioned in Clause 1 (1.2.5) of the Secretarial Standard – 2 on General Meetings issued by the council of Institute of Company Secretaries of India have been given along with the annexure to the Notice of the Annual General Meeting.

3. AUDIT COMMITTEE

The Audit Committee comprises at present the following Directors:

Mr. R. Krishnamurthy (Chairman)	Non-Executive Independent Director
Mr. B.V. Krishna Reddy	Managing Director
Ms. Junia Sebastian	Non-Executive Independent Director

The Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2016 and has recommended its adoption. In addition, the Committee has also reviewed unaudited (provisional) quarterly results for June 30, 2015, September 30, 2015 and December 31, 2015, which were subjected to a Limited Review by the Statutory Auditors of the Company.

The terms of reference of the Audit Committee covers all matters specified under the SEBI Listing Regulations as well as the provisions of Section 177 of the Companies Act, 2013 and inter alia, includes the following:

- a) Reviewing the financial statements of the Company to ensure that the statements are correct, sufficient and credible.
- b) Reviewing with the management the annual financial statements before submission to the Board focusing primarily on:
 - Changes, if any, in accounting policies and practices
 - Qualifications, if any, in the audit report
 - Compliance with the accounting standards
 - Compliance with Stock Exchange and legal requirements concerning the financial statements
- c) Reviewing with the management, external and internal auditors and the adequacy of internal control systems, internal audit system including discussion with the internal auditors any significant findings and follow up thereon.
- d) suggestions for improvement of procedures being followed by the Company.

Mr. Santhosh Kumar Keerthi, Company Secretary, acts as Secretary of the Committee.

During the financial year under review, five meetings of the Audit Committee were held i.e. on July 22, 2015, August 31, 2015, September 30, 2015, November 05, 2015 and February 10, 2016. The details of attendance by members of the Committee are as follows:

Corporate Governance Report (Contd.)

Name	No. of Meetings	Meetings attended
Mr. R. Krishnamurthy (Chairman)	5	5
Mr. B.V. Krishna Reddy+	2	2
Ms. Mamta Sundara	5	5
Ms. Junia Sebastian++	NA	NA
Mr. Vinod Rao*	2	2

+Appointed as Member of Audit Committee w.e.f October 27, 2015

++Appointed as Member of Audit Committee w.e.f April 27, 2016

*Resigned as Member of Audit Committee w.e.f. October 14, 2015

4. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee constituted by the Company comprises at present the following Directors:

Ms. Junia Sebastian (Chairperson)	- Non-Executive Independent Director
Ms. Mamta Sundara	- Non-Executive Director
Mr. R. Krishnamurthy	- Non-Executive Independent Director

The terms of reference of the Committee covers all matters specified under the provisions of Section 178 of the Companies Act, 2013 and the provisions of the SEBI Listing Regulations and inter alia, includes the following:

- 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.
- approve and recommend matters relating to compensation by way of salary, perquisites, benefits etc., to the Managing/Whole Time/Executive Directors of the Company.
- 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.
- shall review and recommend to the Board of Directors for approval any mandatory disclosures of the Management compensation.
- shall 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.
- shall approve any share incentive plans for the employees of the Company.

During the financial year under review, one meeting of the Nomination and Remuneration Committee was held i.e. on September 30, 2015, which was attended by Mr. Vinod Rao (Chairman of the Committee), Ms. Mamta Sundara and Mr. R. Krishnamurthy.

Corporate Governance Report (Contd.)

Remuneration of Directors:

a) Executive Director

Managing Director: Mr. B.V. Krishna Reddy

Mr. B.V. Krishna Reddy was appointed as Managing Director of the Company with effect from October 01, 2015 for a period of two (2) years. The terms and conditions of appointment and remuneration of Mr. B.V. Krishna Reddy were set out in the resolution approved by the shareholders through postal ballot on May 16, 2016 and as per the applicable rules of the Company. There is no severance fee and the notice period is three months.

The remuneration paid to Mr. B.V. Krishna Reddy, Managing Director during the year ended March 31, 2016 is given in **Annexure E**, which forms part of the Report of the Directors.

b) Non-Executive Directors

At Present, the Non-Executive Directors do not draw any remuneration from the Company. Sitting Fees are paid to Independent Directors for attending Board / Committee Meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses, incurred for attending such meetings. The details of sitting fees paid to the Directors during the year under review are as under:

Name of the Director	Sitting fees (Rs.)
Mr. Ashok Capoor*	Nil
Mr. Vinod Rao**	Nil
Ms. Mamta Sundara	Nil
Mr. R. Krishnamurthy	2,10,000
Ms. Junia Sebastian+	NA

**Resigned as Director w.e.f. July 22, 2015*

***Resigned as Director w.e.f. October 14, 2015*

+Appointed as an Independent Director w.e.f. April 20, 2016

c) **Particulars of Equity Shares of the Company currently held by the Directors are furnished below:**

The Directors are not holding any Equity Shares in the Company.

Corporate Governance Report (Contd.)

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee comprises at present the following Directors:

Ms. Mamta Sundara - Non-Executive Director
Mr. B.V. Krishna Reddy - Managing Director

Mr. Santhosh Kumar Keerthi, Company Secretary is the Compliance Officer.

The terms of reference for the Committee include inter alia specifically to look into the redressing of Shareholders Grievances like non-receipt of Balance Sheet, non-receipt of declared Dividends, non-receipt of Share Certificates and shall inter alia operate and cover areas as may be prescribed under the Companies Act, 2013 and other applicable regulations from time to time.

The Company/Company's Registrars received 3 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

There are no complaints or Transfer of Shares pending as on March 31, 2016.

General Committee of Directors

The Company has constituted a Committee of Directors namely Share Transfer Committee with authority delegated by the Board of Directors, inter alia, to approve transfer and transmission of shares, issue of new share certificates on account of certificates lost, defaced, etc.,

The Committee comprises at present the following Directors:

Mr. B.V. Krishna Reddy
Ms. Mamta Sundara
Ms. Junia Sebastian

6. GENERAL MEETINGS

The details of the last three AGMs of the Company are furnished below:

Financial Year ended	Date	Time	Venue
March 31, 2015	September 30, 2015	12.00 Noon	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2014	September 26, 2014	12.15 p.m.	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2013	August 27, 2013	10.00 a.m.	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016

The following Special Resolutions were passed by the Shareholders at the past three AGMs:

Corporate Governance Report (Contd.)

AGM held on	Subject matter of the Special Resolution
September 30, 2015	No special resolution was passed at this meeting.
September 26, 2014	Approval of the Borrowing Limit
August 27, 2013	No special resolution was passed at this meeting.

All the resolutions set out in the Notices including special resolution as above were passed by the Shareholders.

POSTAL BALLOT

The Company has not passed any resolution at the above AGMs held which was required to be passed through Postal Ballot as per the provisions of the Companies Act, 2013, and the rules framed there under. At this meeting also, there is no ordinary or special resolution proposed requiring passing by way of Postal Ballot.

No Resolution was passed through Postal Ballot during 2015-16. The following resolutions were passed through postal ballot during 2016-17 and the details/results of the postal ballot exercise so conducted are as under:

Date of Notice of Postal Ballot	Date of Results	Period of voting	Description	Results
04.04.2016	16.05.2016	15.04.2016 to 14.05.2016	(i) Appointment of Mr. B.V. Krishna Reddy as a Director	Ordinary Resolution passed with requisite majority
			(ii) Appointment of and remuneration payable to Mr. B.V. Krishna Reddy (DIN: 07293482) as Managing Director of the Company	Special Resolution passed with requisite majority
			(iii) Approval of arrangements for recharge of salary, reimbursement of travel and other expenses, payment of guarantee commission by the Company to United Spirits Limited and transfer of accumulated leave salary	Ordinary Resolution passed with requisite majority

Mr. Sudhir V Hulyalkar, Company Secretary in Practice was appointed as scrutinizer for conducting the above said postal ballot.

No special resolution is proposed to be passed through Postal Ballot at present.

Corporate Governance Report (Contd.)

7. DISCLOSURES

(a) Disclosure on materially significant Related Party Transactions having potential conflict with the Company's interests at large:

During the period under review, the Company did not enter into any material transaction with any of its related parties having conflict with the Company's interest. All related party transactions are negotiated at an arm's length basis, and are in the best interest of the Company.

Your Company places the statement of the related party transactions at every Audit Committee meeting. The Register of Contracts containing the transactions, if any, in which the Directors are interested are placed at the Board meetings. The disclosures of the related party transaction as per the Accounting Standard (AS-18) are set out in Note.22 of the Notes to the Accounts. The Company also has a policy on transaction with related parties, a copy of which can be seen at the website at the following link <http://www.pioneerdistilleries.com/policies.php>.

(b) Details of non- compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority on any matter related to capital markets, during the last three years:

The Company has complied with the requirements of the Stock Exchange, SEBI and other Statutory Authorities on all matters related to the capital market during 2013-14, 2014-15 and 2015-16, except appointment of woman director on the Board of the Company on or before March 31, 2015, which has since been complied with effect from April 13, 2015 and a fine of Rs.1,00,000/- towards non-compliance with appointment of woman director requirement before April 01, 2015, has been paid to the stock exchanges.

There are no other penalties or strictures being imposed on the Company by the Stock Exchange, SEBI or any other Statutory Authorities on any matter related to capital markets, during the last three financial years.

(c) Whistle Blower Mechanism:

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism for reporting illegal or unethical behaviour. The Company has a Whistle blower mechanism under which the employees and Directors are free to report violations of applicable laws and regulations and the Code of Conduct. During the year under review, no employee was denied access to the Audit Committee. The Whistle Blower Mechanism of the Company can be accessed at the website of the Company at the following link: <http://pioneerdistilleries.com/ispeak.php>

(d) Code of Conduct:

The Board of Directors on March 05, 2015 has adopted a revised Code of Conduct which lays down the procedures to be adhered by the Senior Management and Non-executive Directors including Independent Directors. The Code is applicable to Non-executive Directors including Independent Directors to such extent as may be applicable to them depending on their roles and responsibilities. The Code gives guidance and support needed for ethical conduct of business and compliance of

Corporate Governance Report (Contd.)

law. The code is available at the website of the Company at the following link <http://www.pioneerdistilleries.com/codeofconduct.php>.

(e) Disclosure of Accounting Treatment:

Your Company has followed all relevant accounting standards while preparing the financial statements.

8. MEANS OF COMMUNICATION

The unaudited quarterly results and audited annual results are sent to all the Stock Exchanges, where the equity shares of the Company are listed. The results are normally published in “Financial Express” (English Daily) and “Andhra Prabha” (Telugu Daily). The results are also displayed on the Company’s website www.pioneerdistilleries.com.

The Company has designated an exclusive Email Id viz. pdlinvestor@unitedspirits.in to enable the investors to post their grievances and monitor its redressal.

9. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

As required by Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Management Discussion and Analysis Report is appended and forms part of the Annual Report.

10. GENERAL SHAREHOLDER INFORMATION

a)	AGM Date, Time and Venue	Monday, September 26, 2016 at 12.00 Noon at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
b)	Financial Year	April 1 to March 31
	First Quarterly Results	By August 14
	Second Quarterly Results	By November 14
	Third Quarterly Results	By February 14
	Audited Financial Results	By May 30
c)	Dividend payment date	NA
d)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: 1. BSE 2. NSE

The Annual Listing fees for the years 2015-16 and 2016-17 have been paid by the Company to the respective Stock Exchanges.

Corporate Governance Report (Contd.)

e)	Stock Code			
	BSE	531879		
	NSE	PIONDIST		
	ISIN No.	INE889E01010 (NSDL & CDSL) - for Equity Shares		
f)	Market price data	As per Annexure A		
g)	Stock performance in comparison to BSE Sensex	As per Annexure B		
h)	Suspension from trading	NA		
i)	Registrar and Transfer Agents	Venture Capital and Corporate Investments Private Limited Regd. Off: 12-10-167, Bharat Nagar Hyderabad 500 018 Tel: (040) 2381 8475 / 2381 8476 / 2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccilindia.com		
j)	Share Transfer System	The power to consider and approve share transfers / transmission / transposition / consolidation / subdivision etc. has been delegated to a Committee of Directors named Share Transfer Committee. The requirements under the SEBI Listing Regulations/ Statutory regulations in this regard are being followed.		
k)	Distribution of Shareholding	As per Annexure C		
l)	Dematerialisation of shares (as on March 31, 2016)	Depositories	Shares	%
		NSDL	11493533	85.85
		CDSL	882514	6.59
		Total	12376047	92.44
m)	Outstanding GDRs/ADRs/Warrants or any other instruments	NA		
n)	Commodity price risk or foreign exchange risk and hedging activities	NA		

Corporate Governance Report (Contd.)

o)	Plant Location	Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra 421 809
p)	Address for Correspondence	<p>Shareholder correspondence should be addressed to the Company's Registrars and Transfer Agents: Venture Capital and Corporate Investments Private Limited Regd. Off: 12-10-167, Bharat Nagar Hyderabad 500 018 Tel: (040) 2381 8475 / 2381 8476 / 2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccilindia.com</p> <p>Investors may also write or contact the Company Secretary, Mr. Santhosh Kumar Keerthi, at the Registered Office of the Company at UB House, Plot No.36, Street No.4, Srinagar Colony, Hyderabad 500 073 Tel No. (040) 6674 7388 / Fax No. (040) 6674 7359</p> <p>In compliance with the provisions of Regulation 46 (2) (j) of the SEBI Listing Regulations, an exclusive email id, viz. pdlinvestor@unitedspirits.in has been designated for registering complaint by the Investor and its redressal, which has been displayed on the website of the Company www.pioneerdistilleries.com</p>

NON MANDATORY REQUIREMENTS

1	Chairman of the Board	The Directors elect one of them as the Chairperson from time to time.
2	Shareholders Rights	The Company's quarterly results are being published in Financial Express and Andhra Prabha Newspapers.
3	Audit Qualifications	The Report of the Auditors on the Financial Statements for the year ended March 31, 2016 does not contain any qualification or adverse remark.
4	Separate post of Chairman & CEO	Mr. B.V. Krishna Reddy is Managing Director and is not designated as Chairman.
5	Reporting of Internal Auditor	The Internal Auditor reports directly to the Audit Committee.

Corporate Governance Report (Contd.)

ANNEXURE A: MARKET PRICE DATA

Pioneer Distilleries Limited – Monthly BSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
April 2015	110.00	67.55	96.80	284041
May 2015	98.80	71.50	75.30	58118
June 2015	79.90	66.10	79.45	34983
July 2015	99.40	75.90	87.00	53519
August 2015	89.80	71.90	85.00	21867
September 2015	93.00	82.20	89.00	26307
October 2015	155.50	84.30	113.85	182578
November 2015	249.10	113.00	214.70	312541
December 2015	340.30	187.60	340.30	507640
January 2016	385.00	212.40	216.10	177146
February 2016	262.50	129.20	129.20	266075
March 2016	135.30	81.60	129.50	561309

[Source: This information is compiled from the data available from the website of BSE]

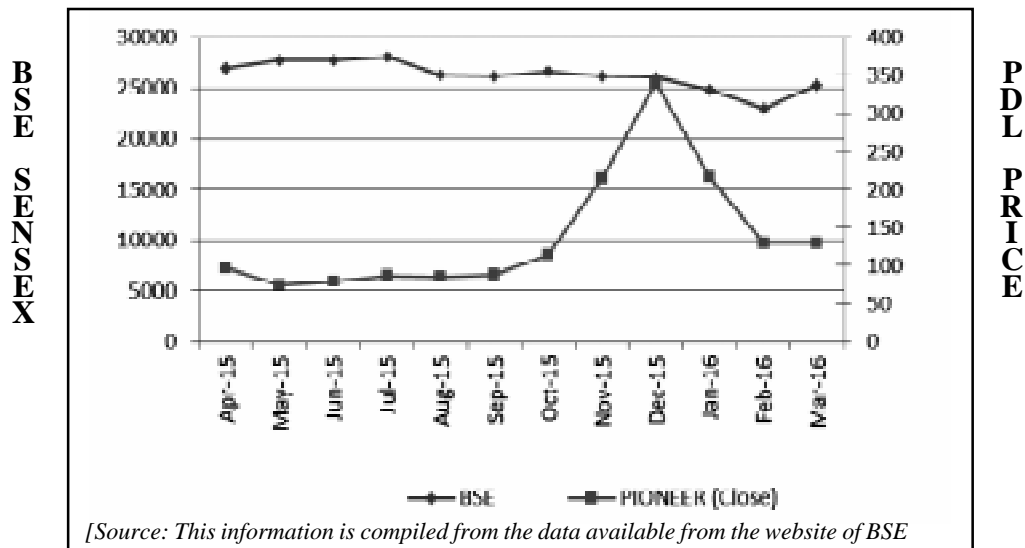
Pioneer Distilleries Limited – Monthly NSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
April 2015	111.40	67.00	96.80	225739
May 2015	98.00	71.50	76.05	127347
June 2015	79.00	66.50	77.20	48776
July 2015	103.85	77.00	86.80	150700
August 2015	90.00	71.10	82.10	40113
September 2015	94.85	81.00	85.75	55353
October 2015	155.95	86.00	113.95	523852
November 2015	248.90	113.00	215.65	536951
December 2015	342.35	188.50	342.35	850738
January 2016	385.00	215.00	216.45	288792
February 2016	262.70	130.85	130.85	388817
March 2016	137.05	82.40	129.00	804774

[Source: This information is compiled from the data available from the website of NSE]

Corporate Governance Report (Contd.)

ANNEXURE B: PIONEER DISTILLERIES LIMITED, SHARE PRICES COMPARED TO BSE SENSEX



ANNEXURE C: DISTRIBUTION OF SHAREHOLDING (as on March 31, 2016)

VALUEWISE

Shareholding of nominal value				Share Amount	
(Rs.)		Number	% to Total	in Rs.	% to Total
(1)	(2)	(3)	(4)	(5)	(6)
Up to	5000	3623	82.59	3809920	2.85
5001	10000	373	8.50	3175300	2.37
10001	20000	182	4.15	2803300	2.09
20001	30000	78	1.78	1925700	1.44
30001	40000	25	0.57	898080	0.67
40001	50000	30	0.68	1419400	1.06
50001	100000	40	0.91	2855980	2.13
100001 and above		36	0.82	116994320	87.39
Total		4387	100.00	133882000	100.00

Corporate Governance Report (Contd.)

CATEGORYWISE

Category	No. of shares	% of Equity Capital
Promoter	10041150	75.00
Banks/FI/FII/MF/UTI/Trust/Central/State Government & Insurance Companies	1649	0.01
Resident Body Corporate (including clearing members)	375077	2.80
Resident Individual	1647075	12.31
NRI/OCB/FCB and Foreign Nationals	1323249	9.88
Total	13388200	100.00

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members,
Pioneer Distilleries Limited
Hyderabad- 500073

I have examined the compliance of conditions of corporate governance by Pioneer Distilleries Limited (the Company) for the year ended on March 31, 2016, as stipulated in Clause 49 of the Listing Agreement then in force, for the period April 01, 2015 to November 30, 2015 (erstwhile Listing Agreement) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 from December 01, 2015 to March 31, 2016 of the Company with stock exchanges.

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 mandatory conditions of Corporate Governance as stipulated in the Listing Agreement, except as below:

- 1) *The Company did not have minimum number of independent directors as required under Clause 49 of the erstwhile Listing Agreement and Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.*
- 2) *As a result, the Audit Committee, the Nomination and Remuneration Committee were not constituted with the composition of its members as required under Clause 49 of the erstwhile Listing Agreement and Regulation 18 and Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.*
- 3) *Since there was only one Independent Director on the Board, there was also no meeting of Independent Directors held during the year as required under Clause 49 of erstwhile Listing Agreement, Regulation 25 (3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.*
- 4) *Due to this, the Company was not having optimum combination of Executive and Non-executive directors till the appointment of the Managing Director and an independent director made on September 30, 2015 and April 20, 2016 respectively, as required under Clause 49 of erstwhile Listing Agreement, Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.*
- 5) *In one instance, there was a gap of more than 4 months between two consecutive meetings of Audit Committee as against the requirement of frequency of such meetings during a year under Clause 49 of erstwhile Listing Agreement.*

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 : Bangalore
Date : August 05, 2016

Corporate Governance Report (Contd.)

CEO/CFO CERTIFICATE

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 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; and
 2. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements;

Bangalore
August 25, 2016

B.V. Krishna Reddy
Managing Director

Gopal Kothari
Chief Financial Officer

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirements of Regulation 26(3) read with Schedule V Para D of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Code of Conduct of the Company has been displayed at the Company's website www.pioneerdistilleries.com. All the members of the Board and the Senior Management personnel had affirmed compliance with the Code for the year ended March 31, 2016.

Bangalore
August 25, 2016

B.V. Krishna Reddy
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC SCENARIO

Global economy: Despite tangible signs of recovery in 2014, the global economy remained on a subdued growth path, growing 3.1% in 2015 against 3.4% in 2014. With a 6.8% growth (against 6.6% 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: Buoyed by positive policy initiatives, India has evolved as one of the fastest-growing emerging market economies in the world. Increased private consumption, led by rising incomes and declining oil prices, steered the Indian economic growth story during 2015-16 to 7.6% real GDP growth from 7.2% in 2014-15.

INDUSTRY OVERVIEW

Current available data estimates the Indian TBA market at about Rs.40,000 Crore, with spirits accounting for approximately 70% market share, beer about 26%, and ready to drink, wine and others about 4%. In recent years, the industry has witnessed realignment in terms of consolidation and margin pressure due to rising costs, thereby leading to tapered growth. Despite the slowdown, the country's alcohol industry will still be the world's second fastest growing industry. India has a young population, with a median age of 25 years 50% of the 1.2 billion population are under 25 years of age. 65% are below the age of 35. A favourable demographic divide with around 270 million in the working age population by 2030 augurs well for the industry. As per the data published by the Finance Commission the annual tax revenues of the State Governments are about Rs.303 lakh crs. Of this Alcobev industry's share of close to Rs.106 lakh crs which is more than a third of such tax revenues of the State Governments (Source - Wikipedia). In recent years, the industry has witnessed realignment in terms of consolidation and margin pressure due to rising costs, thereby leading to tapered growth. Despite the slowdown, the country's alcohol industry will still be the world's second fastest growing industry.

PRODUCT-WISE PERFORMANCE

The product wise performance of the Company is given hereunder:

- (i) **Extra Neutral Alcohol (ENA):** Production of Molasses based ENA (MENA) during the financial year April 01, 2015 to March 31, 2016 has been of the order of 112.97 LBL and production of Grain based ENA (GENA) 134.21 LBL
- (ii) **Absolute Alcohol (Ethanol):** Production of Absolute Alcohol during the financial year April 01, 2015 to March 31, 2016 has been of the order of Nil.
- (iii) **Malt Spirit:** Production of Absolute Alcohol during the financial year April 01, 2015 to March 31, 2016 has been of the order of 0.51 LBL.

Management Discussion and Analysis Report (Contd.)

- (iv) **IMFL Bottling:** 6.63 Lacs Cases.
- (v) **CO₂:** Production of CO₂ during the financial year April 01, 2015 to March 31, 2016 has been of the order of 304.10 Metric Ton (MT). Carbon-di-Oxide Dry Ice: Production of Carbon-di-Oxide Dry Ice during the financial year April 01, 2015 to March 31, 2016 has been of the order of 677.85 MT.
- (vi) **Special Denatured Spirit (SDS):** Production of SDS during the financial year April 01, 2015 to March 31, 2016 has been of the order of 798.4 LBL.
- (vii) **Power Generation:** Production of power during the financial year April 01, 2015 to March 31, 2016 has been of the order of 4.95 Lakh Kilowatt per Hour (LKWH).
- (viii) **Distillers Wet Grain Soluble (DWGS):** Production of DWGS during the financial year April 01, 2015 to March 31, 2016 has been of the order of 9191.34 MT.

BUSINESS ANALYSIS

Company overview

Pioneer Distilleries Limited is a subsidiary of United Spirits Limited (USL) – the largest spirits manufacturing company in India and the second largest (by volume) globally, with a strong portfolio of 140 popular and trusted brands across categories. In 2011-12, USL acquired PDL and is presently holding 75% shareholding in the Company.

Industry Structure and developments

The Company's business activity falls within a single primary business segment i.e., Potable Alcohol and related products. The Company is running a 160 Kilo Litres Per Day (KLPD) Extra Neutral Alcohol (ENA) manufacturing facility comprising of 100 KLPD of Molasses based ENA and 60 KLPD of Grain based ENA at Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra. The other products of the Company are Absolute Alcohol (Ethanol) and Rectified Spirit / Special Denatured Spirit. The Company also produces commercial grade Carbon-di-Oxide as a by-product of the fermentation process. The Company has 7.825 Megawatt (MW) electricity generation facility, 3.1 MW generation from the steam turbine for captive consumption and 4.725 MW generation of unconventional electricity from Biogas Engines for sale to the Grid. All these facilities are supported by a state of the art pollution control equipment including a multiple effect evaporator followed by a Dryer suitable for a standalone Distillery to ensure zero pollution.

OUTLOOK

As the world's fastest growing economy, with over 65 per cent population below 35 years, India's growth opportunity in the near and mid-term is exciting and invigorating. India is currently one of the most attractive destinations for the alcobev industry in the world, with a growth forecast of 13% CAGR in value over the next 5 years. With such an attractive opportunity landscape to steer growth, the industry looks forward to support from the government in the form of relaxation in regulations and transformation

Management Discussion and Analysis Report (Contd.)

of physical control systems at the State Excise Departments to digital, online processes. With the expected growth in IMFL industry the company's production capacity including IMFL bottling plant is expected to be fully utilized. We are in the process of investing around Rs.120 Cr to enhance production, productivity and efficiency. These investments will help to achieve the cost reduction, enhance quality, improve safety and reduces carbon foot print. The infrastructure of plant is being improved to meet global manufacturing standards. The investments will bring arbitrage between the produced cost & market rate. The bottling capacity is being planned to be doubled i.e. October 2016. This will help in increasing revenue and improving the cash flows.

Strengths

- **Product portfolio and diversity:** *The Company's product portfolio extends across GENA, MENA, Malt Spirit, IMFL Bottling and Power Generation.*
- **People Power:** *The Company's success is led by an empowered and committed team of 161 employees, who are partnering it in the realization of its vision.*

Risks & Concerns

The industry is highly regulated by the government with regulations pertaining to: licensing, setting up of new or expansion of distilling and bottling capacities; manufacturing processes and sale of products. Heavy taxes and duties levied on spirit manufacturers add to the industry concerns. Apart from Central Government regulations, every state of India has its own set of regulations, tax rates and duties for inter-state movement of liquor. Inclusion of alcohol within the purview of FSSAI to ensure quality standards will lead to further multiplicity and sometimes duplicity in regulations and regulators and sometimes inconsistencies in regulations. Non-inclusion of Alcobev industry within the ambit of GST remains a missed opportunity and a risk to the overall industry.

The increasing price of ethanol - one of the primary raw materials used in the production of alcohol beverages – has seriously impacted the industry cost structure in recent years. Prices of ethanol, which accounts for nearly 40% of the total cost of materials, has increased over the past few years following the implementation of the ethanol blending programme (EBP) by the government. The mandatory EBP implementation has triggered increased demand for ethanol from the oil marketing companies (OMCs), which are required to blend 5% (proposed to move to 10%) ethanol in petrol for environmental reasons. India currently has an annual demand of 460 crore litres of ethanol as against the availability of only 250 crore litres, creating a demand-supply gap. During the sugar year 2014-15, OMCs have achieved a blending percentage of only 2.3 per cent (Source: Business Standard April 25th, 2016). In case of drought conditions and the Government's plans to scale up EBP to 10% with no commensurate increase in supply, will result in a shortage of ENA for potable alcohol as well as upward pressure on prices. Fortunately, the government is looking to source ethanol from low-cost alternative sources like bio-waste and feedstock such as wheat, straw, rice straw and corn straw, among others. If successful, this is likely to improve ethanol availability in the country and stabilize prices.

Management Discussion and Analysis Report (Contd.)

Opportunities

Entry barriers for new players: The alcohol industry in India, being highly regulated, has high entry barriers for new players, thereby creating a favorable environment for the existing players.

Demand for spirits: Indians have higher preference for spirits containing up to 42.8% alcohol content. Moreover, beer being heavily taxed is priced at par, or even more than IMFL. This further enhances demand for spirits. (Source: The Times of India)

Threats

Your Company's main source of water is from the Godavari River and it is conveyed through a pipe line from the Jack well at the River to the Plant. The average requirement of water is 3000KL per day. Due to less rainfall during the financial year 2015-16 especially in Marathwada region, operations of the Plant got affected. This is the third consecutive year of drought in Marathwada, each one more acute than the previous. The region normally receives around 780 millimeters of rainfall during monsoons. The number has dwindled to 259 this season. According to official records, almost 80% of the state has faced a drought. The two back to back droughts – in 2014 and 2015 made the situation extremely palpable in the Marathwada region. Last year the deficiency in rainfall was 42% which has added to the deteriorating conditions of the region. There could be a shortage of water supply in the peak summer months i.e. from April 2017 to June 2017. The Company's operations may be effected in these months. The Company is taking up initiatives like rain water harvesting, creation of water storage lagoons, water conservation measures to mitigate this shortage. The Company's water consumption during last year was 30Ltrs/BL of ENA produced. Now the Company has reduced it to 21Ltrs/BL and is continuously exploring ways to bring it down further.

Non availability of grains due to drought will push the grain prices which in turn will affect the margins for GENA and Malt spirit. Similarly, non availability of Molasses due to government encouraging production ethanol for blending into fuels will push molasses price which in turn will affect the margins for MENA. These events put pressure on the profitability of the Company.

Any drastic change in the policies of the Government and pollution laws can be considered as possible threats to the industry.

The Company believes that the ensuing competition in the emerging market will have to be met squarely by not only developing production systems based on cost efficiency and high productivity, but also on modern technology, quality assurance and timely deliveries. Accordingly, your Company is gearing up itself to exploit the opportunities by constantly modernizing the machinery and developing innovative product applications. Constant efforts are being made to meet the stringent quality requirements. With the dedication of the management towards exploring new opportunities coupled with the Company's competitiveness and product quality, your Company will continue to explore and pursue new opportunities.

Your Company has been referred to the Board for Industrial and Financial Reconstruction (BIFR) during the year 2012 and Company's net worth continues to be negative.

Management Discussion and Analysis Report (Contd.)

FINANCIAL AND OPERATIONAL PERFORMANCE

The financial statements of the Company are prepared in compliance with the provisions of the Companies Act, 2013 and the Generally Accepted Accounting Principles in India. In terms of Clause 49 of the Listing Agreement/the SEBI Listing Regulations, the management accepts the responsibility for the integrity and objectivity of the financial statements and the basis for various estimates used in preparing such financial statements.

The Company has achieved a Turnover of Rs. 14,288.02 Lakhs for the financial year ended March 31, 2016 against the Turnover of Rs. 15,043.37 Lakhs over the previous year. The Profit before tax of your Company during the financial year amounted to Rs. 3,423.84 Lakhs.

During the year, the Company has made all the payments to term loan Lending Institutions in accordance with the schedules of repayment. The working capital requirement of the Company is financed by the State Bank of Mysore, Bangalore.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. The Company has well-defined and adequately documented systems, policies, procedures and guidelines that have been reviewed by the Board. The company strictly follows the laws, rules and statutes of the land. It ensures stringent compliance at all levels, and across all departments, for safeguarding its assets, prevention and detection of fraud and errors, completeness of accounting records and timely preparation of financial statements. The internal control system is supplemented by effective quarterly Internal Audit done by In-House Internal Audit team of United Spirits Limited, holding company of the Company. The internal financial control system provides reasonable assurance that the transactions are properly recorded and are executed in accordance with proper management authorization and that the assets are safeguarded against loss from unauthorized use or disposition and that the accounting records are adequate for preparation of financial statements and other financial information. The top management and the Audit Committee of the Board of Directors regularly review the findings, recommendations and functions of Internal Audit team. Statutory Auditors have also confirmed the same in their audit report on the Financial Statements for the year.

HUMAN RESOURCES

The 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 we are a family of over 161 (including permanent employees at plants). Company is committed to nurturing an open environment which allows for easy assimilation of ideas and enriches the organization's collective knowledge pool. The company aspires to evolve into a future-ready organization centered on promoting a collaborative and cohesive culture.

During the year, the company delivered various training programmes for 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. Performance appraisals take place

Management Discussion and Analysis Report (Contd.)

every six months, giving every employee sufficient time to meet his/ her role requirements in the next six months. The company maintains cordial relationship with its employees at its manufacturing units. There has been no loss of production at the Company's manufacturing unit due to industrial unrest.

FORWARD LOOKING STATEMENTS

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 these expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their dates. This Report should be read in conjunction with the financial statements included herein and the notes thereto.

By Authority of the Board

Bangalore
August 25, 2016

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

Report of the Directors (Contd.)

Annexure A

Disclosure in Board's report as per provisions of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

S. No.	Requirement	Disclosure			
		Name of the Director/KMP	Designation	Ratio of Median	% Increase
1	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	B.V. Krishna Reddy	Managing Director	14:1	NA*
		Gopal Kothari	CFO	8:1#	NA*
		Santhosh Kumar Keerthi	Company Secretary	3:1#	NA*
2	Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	<p>*only considered for the period of employment during the year.</p> <p># Ratio of Median salary is computed by considering salaries recharged for their part-time work to the Company.</p>			
3	Percentage increase in the median remuneration of employees in the financial year	9.7%			
4	Number of permanent employees on the rolls of company	There were 163 employees as on March 31, 2016			
5	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	9.7% average increase for non-managerial personnel. The salary increase for managerial personnel is 18.66%. The annual average salary increase is based on the Company's market competitiveness as against its peer companies.			
6	Key parameters for any variable component of remuneration availed by the Directors	The key parameters for the variable pay are the Company's performance and the managerial personnel's performance.			
7	Affirmation that the remuneration is as per the remuneration policy of the company	Yes			

Report of the Directors (Contd.) Annexure B

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2016

[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,
Pioneer Distilleries Limited
Bangalore

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Pioneer Distilleries Limited (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, 2016, 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 Pioneer Distilleries Limited ("the Company") for the financial year ended on March 31, 2016 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 (No instances for compliance requirements during the year);
- 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);

Report of the Directors (Contd.)

- (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. Bombay Prohibition Act, 1949 and Rules made thereunder and Other applicable state excise laws;
 - 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;
 - 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 the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc as mentioned above wherever applicable subject to the following observations:

- 1) *The Company did not have minimum number of independent directors as required under Section 149(4) of the Act read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and also as required under Clause 49 of the erstwhile Listing Agreement and Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.*

As a result, the Audit Committee, the Nomination and Remuneration Committee were not constituted with the composition of its members as required under Section 177 and Section 178 of the Act and Rules made thereunder and also Clause 49 of the erstwhile Listing Agreement and Regulation 18 and Regulation 19 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Since there was only one Independent Director on the Board, there was also no meeting of Independent Directors held during the year as required under Clause VII (1) of Schedule IV of Companies Act, 2013 read with Secretarial Standard -1 and also as required under Clause 49 of erstwhile Listing Agreement, Regulation 25 (3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Report of the Directors (Contd.)

Due to this, the Company was not having optimum combination of Executive and Non-executive directors till the appointment of the Managing Director and an independent director made on September 30, 2015 and April 20, 2016 respectively, as required under Clause 49 of erstwhile Listing Agreement, Regulation 17 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- 2) *In one instance, there was a gap of more than 4 months between two consecutive meetings of Audit Committee as against the requirement of frequency of such meetings during a year under Clause 49 of erstwhile Listing Agreement.*

I further report that

Subject to my observations as mentioned above the Board of Directors of the Company is constituted with executive, non-executive 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 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 and also in the cases wherever the matters other than agenda items were considered, the requisite compliance of Section 173 of the Act and Para 1.3 of Secretarial Standard 1 were carried out 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.

As recorded in minutes, all decisions are carried through without any dissent by any members on the Board.

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 having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards referred to above:

1. As required under Section 188 of the Act and Rules made thereunder, MCA circular No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 and Clause 49 of the erstwhile Listing Agreement, the shareholders of the Company have passed an Ordinary Resolution at the annual general meeting held on September 30, 2015 for approving the existing material related party transaction with United Spirits Limited for tie-up arrangement for manufacture of Indian Made Foreign Liquor products and licensing of trademarks therefor and increase in retention charges payable to the Company.

Place: Bangalore
Date: August 05, 2016

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

Report of the Directors (Contd.) Annexure C

FORMNO.AOC.2

(Pursuant to clause (h) of sub-section (3) of Section 134 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 sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

Details of contracts or arrangements or transactions not at arm's length basis:

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2016, which were not at arm's length basis.

Details of material contracts or arrangement or transactions at arm's length basis:

The details of material contracts or arrangement or transactions at arm's length basis existing as on March 31, 2016 and continuing are as follows:

Name of the related party: United Spirits Limited

Nature of relationship: Holding Company

Duration of the contract: 2015-16

Nature of Contract/arrangements/transaction	Justification for entering into the Contract or arrangement or transactions	Date of approval by the Board	Amount paid or received as advance (Rs)
Sale of Extra Neutral Alcohol, Indian Made Foreign Liquor, Malt Spirit and Others	Arm's length and in the ordinary course of business	02/09/2015	139,95,42,019
Salary Recharge	Salary recharge at actuals and no markup cost added	10/02/2016	Nil
Reimbursement of Travel and other expenses	Reimbursement of expenses at actuals and no markup cost added	10/02/2016	Nil
Guarantee Commission	Arm's length and in the ordinary course of business	05/11/2015	Nil
Accumulated Leave Salary	Accumulated leave salary cost at actuals and no markup added	04/04/2016	Nil

By Authority of the Board

Bangalore
August 25, 2016

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

Report of the Directors (Contd.)

ANNEXURE D

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

CONSERVATION OF ENERGY

With reference to energy conservation, cost reduction, utilizing alternate sources of energy and capital investment on energy conservation equipment, steps taken by the Company at its manufacturing unit were as under:

- Power saving in WTP by reducing power from 75 and 60 HP pump by replacing 12.5 and 20 HP pump.
- Automatic Power Factor Correction panels installed to increase power factor to 0.99 and hence reduction in Electrical Energy and getting incentive from MSEB.

The plans for future to save energy are as follows, many of which are currently in progress :

- Company is going to be self-sufficient on the energy front through the use of captive power.
- New Anaerobic Digesters are being installed to treat the effluent from Molasses Plant and increase Methane production for higher electricity generation from Gas Engines.
- Installation and Modernization of MENA plant from Wash to RS to Wash to ENA with consumption of minimum steam.
- Installation of Raw spent wash evaporation plant to concentrate the MENA effluent up to 55-60% solid and same will be utilized in incineration boiler as a fuel.
- Installation of condensate policing unit for recycling 90% water to process.
- Installation of 52 TPH Incineration boiler to consume MENA effluent as a FUEL and to achieve ZLD.
- Installation of 6.45 MW turbine to produce Maximum power from the Steam.
- DDGS Dryer is being installed for enhancing the value of byproduct recovery in Grain Plant which will reduce cost of production.
- Installation of 2 new IMFL bottling lines to reach production up to 1.5 lacs cases/month.
- Installation of Co2 plant for MENA for ecological sustainability and to increase the revenue from the by-product.

TECHNOLOGY ABSORPTION

a) Research and Development (R & D)

- | | | |
|--|---|--|
| 1. Specific areas in which R & D carried out | : | Nil |
| 2. Benefits derived as a result of the above R & D | : | Nil |
| 3. Future plan of action | : | To further develop more value added products and improve the quality of the products |
| 4. Expenditure on R & D | : | Nil |

b) Technology absorption, adaptation and innovation

The Company is going to install new technology in MENA with minimum steam consumption of 4 Kg/Lit of alcohol including evaporation, which will be lowest in India for molasses distillation.

Foreign Exchange Earnings and outgo:	2015-16	2014-15
a. Earnings in Foreign Currency	Nil	Nil
b. Imports / Expenditure in Foreign Currency	Nil	Nil

By Authority of the Board

Bangalore
August 25, 2016

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

Report of the Directors (Contd.)**Annexure E****FORM NO. MGT 9****EXTRACT OF ANNUAL RETURN****As on financial year ended on 31.03.2016**

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

I REGISTRATION & OTHER DETAILS:

1.	CIN	L24116AP1992PLC055108
2.	Registration Date	25/11/1992
3.	Name of the Company	Pioneer Distilleries Limited
4.	Category/Sub-category of the Company	Company having share capital
5.	Address of the Registered office & contact details	UB House, Plot No.36, Street No.4, Srinagar Colony, Hyderabad 500 073 Contact No: +91 40 6674 7388
6.	Whether listed company	Yes
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any	Venture Capital and Corporate Investments Private Limited Regd. Off: 12-10-167, Bharat Nagar Hyderabad 500 018 Tel: (040) 2381 8475 / 2381 8476 / 2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccilindia.com

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)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Extra Neutral Alcohol	24116	87%

Report of the Directors (Contd.)

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

S. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	United Spirits Limited UB Tower, #24, Vittal Mallya Road, Bangalore 560 001	L01551KA1999PLC024991	Holding Company	75	2(46)

III VI. SHARE HOLDING PATTERN (Equity Share Capital Break up as % to Total Equity)

(i) Category-wise Share Holding

Category of Shareholders	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									
b) Central Govt/ State Govt.									
c) Bodies Corporates	10041150	-	10041150	75	10041150	-	10041150	75	Nil
d) Bank/FI									
e) Any other									
SUB TOTAL: (A) (1)	10041150	-	10041150	75	10041150	-	10041150	75	Nil
(2) Foreign									
a) NRI- Individuals									
b) Other-Individuals									
c) Bodies Corp.									
d) Banks/FI									
e) Any other...									
SUB TOTAL (A) (2)									
Total Shareholding of Promoter (A)									
= (A) (1) + (A) (2)	10041150	-	10041150	75	10041150	-	10041150	75	Nil

Report of the Directors (Contd.)

B.PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds									
b) Banks/FI									
c) Central govt									
d) State Govt.									
e) Venture Capital Fund									
f) Insurance Companies									
g) FIIs	899	-	899	0.01	899	-	899	0.01	Nil
h) Foreign Venture Capital Funds									
i) Others (specify)									
SUBTOTAL (B)(1):	899	-	899	0.01	899	-	899	0.01	Nil
(2) Non Institutions									
a) Bodies corporate									
i) Indian	1160824	-	1160824	8.67	305587	-	305587	2.28	-6.39
ii) Overseas	-	100000	100000	0.75	-	100000	100000	0.75	Nil
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	644703	36598	681301	5.09	1357151	32811	1389962	10.38	5.29
ii) Individuals shareholders holding nominal share capital in excess of Rs.1 lakhs	275757	-	275757	2.06	257113	-	257113	1.92	-0.14
c) Others (specify)									
Clearing Member	48568	-	48568	0.36	69490	-	69490	0.52	-0.16
Foreign Nationals Non Resident Indians	193359	886342	1079701	8.06	343907	879342	1223249	9.14	-1.08
Trusts	-	-	-	-	750	-	750	0.01	0.01
SUB TOTAL: (B) (2)	796644	1029440	1826084	13.64	2333998	1012153	3346151	24.99	4.34
Total Public Shareholding (B) = (B) (1) + (B) (2)	797543	1029440	1826983	13.65	2334897	1012153	3347050	25.00	11.35
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	12358760	1029440	13388200	100.00	12376047	1012153	13388200	100.00	Nil

Report of the Directors (Contd.)

ii) Shareholding of Promoter-

SNo	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	%of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1.	United Spirits Ltd	10041150	75	--	10041150	75	-	Nil

iii) Change in Promoters' Shareholding = Nil

Report of the Directors (Contd.)

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

S No	For each of the top 10 shareholders	Shareholding at the beginning of the period		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	BALKRISHNA RAMJI DEVANI				
	At the beginning of the year	400000	2.99	400000	2.99
	Purchase/Sale	-	-	-	-
	At the end of the year	400000	2.99	400000	2.99
2	BALKRISHNA RAMJI DEVANI				
	At the beginning of the year	210600	1.57	210600	1.57
	Purchase/Sale	-	-	-	-
	At the end of the year	210600	1.57	210600	1.57
3	RAJASTHAN GLOBAL SECURITIES PRIVATE LIMITED				
	At the beginning of the year	1046271	7.81	1046271	7.81
	Purchase on 10/04/2015	8881	0.07	1055152	7.88
	Sale on 17/04/2015	-8287	-0.06	1046865	7.82
	Sale on 24/04/2015	-67725	-0.51	979140	7.31
	Sale on 29/05/2015	-11177	-0.08	967963	7.23
	Sale on 10/07/2015	-15502	-0.12	952461	7.11
	Sale on 17/07/2015	-9452	-0.07	943009	7.04
	Sale on 24/07/2015	-5734	-0.04	937275	7.00
	Sale on 04/09/2015	-4546	-0.03	932729	6.97
	Sale on 25/09/2015	-260	0	932469	6.97
	Sale on 09/10/2015	-10325	-0.08	922144	6.89
	Sale on 16/10/2015	-170000	-1.27	752144	5.62
	Sale on 23/10/2015	-3257	-0.02	748887	5.60
	Sale on 06/11/2015	-54129	-0.41	694758	5.19
	Sale on 20/11/2015	-2186	-0.02	692572	5.17
	Sale on 27/11/2015	-60000	-0.45	632572	4.72
	Purchase on 04/12/2015	66929	0.50	699501	5.22
	Sale on 11/12/2015	-29000	-0.21	670501	5.01
	Sale on 18/12/2015	-33961	-0.25	636540	4.76
	Sale on 25/12/2015	-110000	-0.83	526540	3.93
	Sale on 08/01/2016	-43102	-0.32	483438	3.61
	Sale on 29/01/2016	-36015	-0.27	447423	3.34
	Sale on 05/02/2016	-100	0	447323	3.34
	Sale on 12/02/2016	-33385	-0.25	413938	3.09
	Sale on 19/02/2016	-6289	-0.05	407649	3.04
	Sale on 26/02/2016	-16941	-0.12	390708	2.92
	Sale on 04/03/2016	-67947	-0.51	322761	2.41
	Sale on 11/03/2016	-56269	-0.42	266492	1.99
	Sale on 18/03/2016	-93917	-0.70	172575	1.29
	Sale on 25/03/2016	-28114	-0.21	144461	1.08
	Sale on 31/03/2016	-33417	-0.25	111044	0.83
	At the end of the year	111044	0.83	111044	0.83

Report of the Directors (Contd.)

4	BALKRISHNA RAMJI DEVAN				
	At the beginning of the year	109500	0.82	109500	0.82
	Purchase/Sale	-	-	-	-
	At the end of the year	109500	0.82	109500	0.82
5	MEDICI HOLDINGS LTD				
	At the beginning of the year	100000	0.75	100000	0.75
	Purchase/sale	-	-	-	-
	At the end of the year	100000	0.75	100000	0.75
6	PHILIP THOMBRA ANTONY				
	At the beginning of the year	51789	0.39	51789	0.39
	Purchase on 24/04/2015	2446	0.02	54235	0.41
	Purchase on 08/05/2015	8696	0.06	62931	0.47
	Purchase on 15/05/2015	7312	0.05	70243	0.52
	Purchase on 29/05/2015	4877	0.04	75120	0.56
	Purchase on 19/06/2015	3971	0.03	79091	0.59
	Purchase on 17/07/2015	690	0.01	79781	0.60
	Purchase on 24/07/2015	1486	0.01	81267	0.61
	Purchase on 07/08/2015	314	0	81581	0.61
	Purchase on 18/09/2015	500	0.003	82081	0.61
	Purchase on 25/09/2015	500	0.003	82581	0.62
	Purchase on 09/10/2015	1299	0.01	83880	0.63
	Purchase on 06/11/2015	2905	0.02	86785	0.65
	Sale on 05/02/2016	-1000	-0.01	85785	0.64
	Purchase on 12/02/2016	1379	0.01	87164	0.65
	Purchase on 11/03/2016	7053	0.05	94217	0.70
	At the end of the year	94217	0.70	94217	0.70
7	PHILIP THOMBRA ANTONY				
	At the beginning of the year	83715	0.6	83715	0.62
	Purchase on 15/05/2015	2238	0.02	85953	0.64
	Purchase on 29/05/2015	4370	0.03	90323	0.67
	Purchase on 19/06/2015	2100	0.02	92423	0.69
	Sale on 14/08/2015	-71	0	92352	0.69
	Sale on 11/09/2015	-1000	-0.01	91352	0.68
	Purchase on 18/09/2015	1500	0.01	92852	0.69
	Purchase on 09/10/2015	400	0	93252	0.69
	Sale on 16/10/2015	-577	0	92675	0.69
	Sale on 06/11/2015	-1200	-0.01	91475	0.68
	Sale on 18/12/2015	-3600	-0.02	87875	0.66
	Sale on 15/01/2016	-1000	-0.01	86875	0.65
	Purchase on 05/02/2016	700	0.01	87575	0.66
	Purchase on 11/03/2016	6000	0.04	93575	0.70
	At the end of the year	93575	0.70	93575	0.70

Report of the Directors (Contd.)

8	AMIT NARENDRA VIRA				
	At the beginning of the year	15231	0.11	15231	0.11
	Purchase on 01/05/2015	-2000	-0.01	13231	0.10
	Purchase on 08/05/2015	10129	0.08	23360	0.18
	Purchase on 29/05/2015	10	0	23370	0.18
	Purchase on 10/07/2015	23003	0.17	46373	0.35
	Purchase on 17/07/2015	3000	0.02	49373	0.37
	Sale on 28/08/2015	-4000	-0.03	45373	0.34
	Sale on 09/10/2015	-400	0	44973	0.34
	Purchase on 16/10/2015	1508	0.01	46481	0.35
	Purchase on 30/10/2015	500	0	46981	0.35
	Sale on 20/11/2015	-3000	-0.02	43981	0.33
	Purchase on 04/12/2015	2000	0.01	45981	0.34
	Purchase on 31/12/2015	4850	0.04	50831	0.38
	Purchase on 08/01/2016	7100	0.05	57931	0.43
	Purchase on 15/01/2016	6268	0.05	64199	0.48
	Sale on 12/02/2016	-2924	-0.02	61275	0.46
	Purchase on 04/03/2016	2000	0.01	63275	0.47
	At the end of the year	63275	0.47	63275	0.47
9	SELLAPPAN SIVANESAN				
	At the beginning of the year	19210	0.14	19210	0.14
	Purchase on 17/04/2015	200	0	19410	0.14
	Purchase on 24/04/2015	22590	0.17	42000	0.31
	Purchase on 01/05/2015	1100	0.01	43100	0.32
	Purchase on 08/05/2015	1000	0.01	44100	0.33
	Purchase on 15/05/2015	103	0	44203	0.33
	Purchase on 22/05/2015	4	0	44207	0.33
	Purchase on 29/05/2015	401	0	44608	0.33
	Purchase on 05/06/2015	3	0	44611	0.33
	Purchase on 12/06/2015	203	0	44814	0.33
	Purchase on 19/06/2015	179	0.001	44993	0.34
	Purchase on 26/06/2015	9	0	45002	0.34
	Purchase on 03/07/2015	2	0	45004	0.34
	Purchase on 10/07/2015	9	0	45013	0.34
	Purchase on 24/07/2015	1	0	45014	0.34
	Purchase on 31/07/2015	5	0	45019	0.34
	Purchase on 04/09/2015	12	0	45031	0.34
	Purchase on 11/09/2015	4982	0.03	50013	0.37
	Purchase on 18/09/2015	3	0	50016	0.37
	Purchase on 08/01/2016	10	0	50026	0.37
	Purchase on 26/02/2016	1440	0.01	51466	0.38
	At the end of the year	51466	0.38	51466	0.38

Report of the Directors (Contd.)

10	GEORGE K K				
	At the beginning of the year	7017	0.05	7017	0.05
	Purchase on 19/06/2015	3630	0.03	10647	0.08
	Purchase on 26/06/2015	17	0	10664	0.08
	Purchase on 07/08/2015	2000	0.01	12664	0.09
	Purchase on 14/08/2015	755	0.01	13419	0.10
	Purchase on 21/08/2015	2138	0.02	15557	0.12
	Purchase on 28/08/2015	2678	0.02	18235	0.14
	Purchase on 04/09/2015	1672	0.01	19907	0.15
	Purchase on 16/10/2015	1000	0.01	20907	0.16
	Purchase on 23/10/2015	1748	0.01	22655	0.17
	Purchase on 30/10/2015	1130	0.01	23785	0.18
	Purchase on 06/11/2015	2000	0.01	25785	0.19
	Purchase on 11/12/2015	1115	0.01	26900	0.20
	Purchase on 22/01/2016	680	0.01	27580	0.21
	Purchase on 26/02/2016	535	0	28115	0.21
	At the end of the year	28115	0.21	28115	0.21

(v). Shareholding of Directors and Key Managerial Personnel - Nil

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment (in Rs)

	Secured Loans excluding	Unsecured Loans deposits	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	51,60,20,398	135,39,06,529	94,50,000	187,93,76,927
(ii) Interest due but not paid	Nil	Nil	Nil	Nil
(iii) Interest accrued but not due	Nil	37,72,45,660	Nil	37,72,45,660
Total (i+ii+iii)	51,60,20,398	173,11,52,189	94,50,000	225,66,22,587
Change in Indebtedness during the financial year				
Addition	Nil	14,62,21,905	50,50,000	15,12,71,905
Reduction	(19,25,75,524)	Nil	(45,50,000)	(19,71,25,524)
Net Change	(19,25,75,524)	14,62,21,905	50,000	(4,58,53,619)
Indebtedness at the end of the financial year				
(i) Principal Amount	32,34,44,874	135,39,06,529	99,50,000	168,73,01,403
(ii) Interest due but not paid	Nil	Nil	Nil	Nil
(iii) Interest accrued but not due	Nil	52,34,67,566	Nil	52,34,67,566
Total (i+ii+iii)	32,34,44,874	187,73,74,095	99,50,000	221,07,68,969

Report of the Directors (Contd.)

VI. Remuneration of Directors and Key Managerial Personnel

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

S No	Particulars of Remuneration	B.V. Krishna Reddy * (Managing Director)	Total (in Rs)
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	28,09,338	28,09,338
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission -as % of Profit Others – Specify	-	-
5	Others – Please specify	-	-
	Total (A)	28,09,338	28,09,338
	Ceiling as per the Act @5% for 1 Executive Director		1,66,45,703

*Appointed as Managing Director w.e.f. October 01, 2015.

B. Remuneration to other directors

	Names of Directors	Total (in Rs)
Independent Directors	Mr. R. Krishnamurthy	
Fee for attending board and committee meetings	2,10,000	2,10,000
Commission	-	-
Others, (Please specify)	-	-
Total Managerial Remuneration	2,10,000	2,10,000
Ceiling as per the Act @1% for all the Non-Executive Directors excluding Sitting Fees, which is not subject to limits		33,29,141

Report of the Directors (Contd.)

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/ WTD (in Rs)

S. No.	Particulars of Remuneration	Santhosh Kumar Keerthi (Company Secretary)	Gopal Kothari (CFO)	Total
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	7,25,851	17,72,268	24,98,119
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission -as % of Profit Others – Specify	-	-	-
5	Others	-	-	-
	Total (A)	7,25,851	17,72,268	24,98,119

VII. Penalties / Punishment/ Compounding of Offences:

There has been no penalty or punishment under the Companies Act, 2013 for the year ended March 31, 2016. As on date, the Company has not applied for compounding of offences for the year ended March 31, 2016.

By Authority of the Board

Bangalore
August 25, 2016

B.V. Krishna Reddy
Managing Director

Mamta Sundara
Director

Independent Auditor's Report

TO THE MEMBERS OF PIONEER DISTILLERIES LIMITED

Report on the Standalone Financial Statements:

We have audited the accompanying standalone financial statements of Pioneer Distilleries Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, 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. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Independent Auditor's Report (Contd.)

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 31st March, 2016 and its profit and cash flows for the year ended on that date.

Emphasis of Matter

Without qualifying, we draw an attention to Note 29 (a) & (b) regarding the financial statements of the Company having been prepared on a going concern basis, which contemplates the realisation of assets and satisfaction of liabilities in the normal course of business. The Company has been incurring losses for the past few years and its net worth has been fully eroded. Necessary Orders are awaited in respect of a reference made to the Board for Industrial and Financial Reconstruction, process has been initiated in this regard by the management. Considering the recent setting up of bottling and malt spirit projects, benefits arising therefrom in the coming years and further expansion thereon being on course, the management is reasonably expecting to reverse the losses in the coming years with the committed Financial, Technical and Administrative support from the holding company. Accordingly, these statements have been prepared on a going concern basis.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 of the Order, to the extent applicable.

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.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.

Independent Auditor's Report (Contd.)

- (f) 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 B".
- (g) With respect to other matter to be included in the Auditor's Report in accordance with the 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 Company has disclosed the impact of pending litigations on its financial position in its financial statements- Refer Note 17 to the financial statements.
 - ii. The Company does not have any long term contracts including derivative contracts for which there were any material foreseeable losses
 - iii. There has been no delay in transferring amount, required to be transferred, to the Investor Education and Protection Fund by the Company.

For **Lodha & Co**
Chartered Accountants
Firm Registration Number: 301051E

Place : Mumbai
Dated : May 16, 2016

R P Baradiya
Partner
Membership No. 44101

Annexure A to Independent Auditor's Report (Contd.)

ANNEXURE REFERRED TO IN PARAGRAPH "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT TO THE MEMBERS OF "THE COMPANY" FOR THE YEAR ENDED 31ST MARCH, 2016

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we state that:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The fixed assets have been verified in accordance with a phased program designed to cover all assets once in three years. The frequency of verification is considered reasonable, having regard to the size of the Company and nature of its fixed assets. Pursuant to the program, physical verification of fixed assets has been carried out during the year and no material discrepancies were noticed on such verification.

c) Based on the information and explanations given to us, the title deeds of immovable properties are held in the name of the Company.
2. The inventory has been physically verified by the management at reasonable intervals during the year. The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. As per the information and explanations given to us, discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. The Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clause 3(iii) of the Order are not applicable to the Company.
4. The Company has not granted any loans, investments, guarantees and security to parties covered in Section 185 & Section 186 of the Act.
5. No deposits within the meaning of directives issued by RBI (Reserve Bank of India) and Sections 73 to 76 or any other relevant provisions of the Act and rules framed there under have been accepted by the Company.
6. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 148 of the Act in respect of Company's products/services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable to the Company.
7. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income- tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues applicable to the

Annexure A to Independent Auditor's Report (Contd.)

Company with appropriate authorities. No undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess which have not been deposited on account of any dispute except those mentioned in the table below:

Nature of dues	Assessment Year/ Financial Year	Forum where dispute is pending	Amount in Rs.
Income Tax	2010-11	CIT (A)	4,627,107
Income Tax	2007-08	CIT (A)	20,00,000
Commercial Tax	2008-09	Dy. Commissioner Appeals-Commercial Tax	9,223,162
Commercial Tax	2011-12	Dy. Commissioner Appeals- Commercial Tax	245,471,550
Non agriculture tax	2011-12	Additional Divisional Commissioner, Aurangabad	62,13,000
Cess	2011-12	Agriculture Product Market	38,59,000

8. The Company has not defaulted in repayment of loan or borrowing to a bank during the year. The Company has not taken any loan or borrowing from financial institution or debenture holders.
9. The Company has not raised any money by way of public issue or further public offer during the year or in the recent past. Based on the information and explanations given to us by the management, term loan were applied for the purpose for which the loans were obtained.
10. 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, we have neither come across any instance of fraud by 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.
11. Managerial Remuneration has been paid or provided during the year in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act.

Annexure A to Independent Auditor's Report (Contd.)

12. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company.
13. 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, all transactions with the related party are in compliance with Section 177 and 188 of the Act and the details have been disclosed as required by the applicable Accounting Standard in Note 22 to the Financial Statements.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Therefore, the provisions of clause 3(xiv) of the Order are not applicable to the Company.
15. Based on the information and explanations given to us, the Company has not entered into any non-cash transactions prescribed under Section 192 of the Act with directors or persons connected with them during the year. Therefore, the provisions of clause 3(xv) of the Order are not applicable to the Company.
16. In our opinion, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Therefore, the provisions of clause 3(xvi) of the Order are not applicable to the Company.

For **Lodha & Co**
Chartered Accountants
Firm Registration Number: 301051E

Place : Mumbai
Dated : May 16, 2016

R P Baradiya
Partner
Membership No. 44101

Annexure B to Independent Auditor's Report (Contd.)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

We have audited the internal financial controls over financial reporting of Pioneer Distilleries Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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 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

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 on Audit of Internal Financial Controls Over Financial Reporting (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 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.

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

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

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

Annexure B to Independent Auditor's Report (Contd.)

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

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

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, 2016, 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 issued by the Institute of Chartered Accountants of India".

For **Lodha & Co**
Chartered Accountants
Firm Registration Number: 301051E

Place : Mumbai
Dated : May 16, 2016

R P Baradiya
Partner
Membership No. 44101

Balance Sheet as at March 31, 2016

		Amount in Rs	
	Notes	March-16	March-15
Equity and Liabilities			
Shareholders' Funds			
Share capital	1	134,194,000	134,194,000
Reserves and Surplus	2	(707,602,049)	(1,049,986,250)
Non-current Liabilities			
Long term borrowings	3.1	199,648,965	322,418,378
Other Long-term liabilities	3.2	1,877,374,095	1,731,152,189
Current Liabilities			
Short-term borrowings	4.1	27,649,387	136,367,762
Trade Payables	4.2	215,138,934	282,087,941
Other Current Liabilities	4.3	1,852,000,310	1,908,529,673
Short-term provisions	4.4	20,942,393	22,168,959
		3,619,346,035	3,486,932,653
Assets			
Non-current Assets			
Fixed Assets			
Tangible Assets	5.1	1,641,747,905	1,754,541,707
Capital Work-in-Progress	5.2	318,024,762	395,894,180
Long term Loans and advances	6	404,208,650	355,619,544
Other Non-Current Assets	7	6,388,184	2,654,424
Current Assets			
Inventories	8.1	344,205,805	478,836,640
Trade Receivables	8.2	7,428,276	3,234,704
Cash and Cash Equivalents	8.3	7,395,772	20,977,122
Short term Loans and Advances	8.4	118,050,703	81,950,311
Other Current Assets	8.5	771,895,977	393,224,020
		3,619,346,035	3,486,932,653
Summary of significant accounting policies	16		
The accompanying notes are an integral part of the financial statements	17-31		

This is the Balance Sheet referred to in our report of even date

For and on behalf of the Board

For **Lodha & Company**
Chartered Accountants

B.V. Krishna Reddy
Managing Director

R. Krishnamurthy
Director

R P Baradiya
Partner

Santhosh Kumar Keerthi
Company Secretary

Gopal Kothari
Chief Financial Officer

Place: Bangalore
Date: 16th May, 2016

Statement of Profit and Loss for the period ended March 31, 2016

		Amount in Rs	
	Notes	March-16	March-15
Revenue			
Revenue from Operations		3,091,354,576	2,120,062,946
Less: Excise Duty		1,662,552,174	615,726,116
	9	1,428,802,402	1,504,336,830
Other Operating Income	10	822,255,162	313,495,062
Other Income		13,257,854	6,638,329
		2,264,315,417	1,824,470,221
Expenses			
Cost of Materials Consumed	11	1,123,095,784	1,432,924,932
Change in inventories of Finished Goods,			
Work-in-Progress	12	5,473,137	(166,473,504)
Employee Benefits expense	13	117,987,454	82,849,478
Finance Costs (Refer Note No.22)	14	223,125,499	392,383,958
Depreciation & Amortisation Expense		255,276,314	238,673,381
Other expenses	15	196,973,028	180,899,846
		1,921,931,216	2,161,258,090
Profit / (Loss) before Exceptional, extraordinary items & Taxation		342,384,201	(336,787,869)
Exceptional items		-	-
		342,384,201	(336,787,869)
Tax Expense:			
Tax Adjustment for earlier year's		-	(120,335,591)
Profit/(Loss) for the year from continuing operations		342,384,201	(216,452,278)
Profit / (Loss) for the year		342,384,201	(216,452,278)
Basic / Diluted Earnings Per Share (Face value of Rs.10 each)		25.57	(16.17)

Summary of significant accounting policies 16
The accompanying notes are an integral part of the financial statements. 17-31

This is the Profit and Loss Statement referred to in our report of even date

For and on behalf of the Board

For Lodha & Company
Chartered Accountants

B.V. Krishna Reddy
Managing Director

R. Krishnamurthy
Director

R P Baradiya
Partner

Santhosh Kumar Keerthi
Company Secretary

Gopal Kothari
Chief Financial Officer

Place: Bangalore
Date: 16th May, 2016

Cash Flow statement for the period ended March 31, 2016

	<u>March-16</u>	<u>Amount in Rs March-15</u>
A. Cash Flow from operating activities		
Profit before Exceptional and Other Non-Recurring Items and Taxation from continuing operations	342,384,201	(336,787,869)
Adjustments for:		
Depreciation	255,276,314	238,673,381
Provision for Doubtful Debts/ Advances	-	394,135
Provision for Doubtful Advances/ Deposits (Net)	13,106,420	14,698,094
Interest Income	135,305	(116,400)
Interest Expense and Finance Charges	<u>223,125,499</u>	<u>392,383,958</u>
	<u>491,643,538</u>	<u>646,033,168</u>
Operating profit before working capital changes	834,027,738	309,245,299
(Increase)/decrease in Trade and other receivables	(4,193,572)	5,232,677
(Increase)/decrease in Inventories	134,630,834	(101,060,602)
Increase/(decrease) in Trade payables	(66,949,006)	82,118,476
Increase/(decrease) in Other Current Liabilities	(57,755,929)	784,025,939
Increase/(decrease) in Loans & advances	(65,429,286)	(70,414,170)
Increase/(decrease) in Short Term Loans & advances	(36,100,392)	(218,726,118)
Increase/(Decrease) in Other Current Assets	(378,671,957)	3,119,548
Increase/(Decrease) in Working Capital Finance	(108,718,375)	(14,234,175)
	<u>(583,187,684)</u>	<u>470,061,575</u>
Cash generated from operations	250,840,055	779,306,874
Direct taxes paid	-	-
	<u>250,840,055</u>	<u>779,306,874</u>
Cash generated/ (used in) from operations	250,840,055	779,306,874
B. Cash Flow from investing activities		
Purchase of fixed assets	(64,613,094)	(185,064,279)
Net cash used in investing activities	(64,613,094)	(185,064,279)
C. Cash Flow from financing activities		
Proceeds/(Repayment) of Short Term Loan	-	-
Proceeds/(Repayment) of long term loans:	(122,769,413)	(199,549,337)
Proceeds/(Repayment) of other Long Term Liabilities	146,221,905	3,850,000
Interest and Finance Charges paid	<u>(223,260,803)</u>	<u>(392,267,558)</u>
Net cash from/(used in) financing activities	<u>(199,808,311)</u>	<u>(587,966,895)</u>
Net (Decrease)/ Increase in cash and cash equivalents	<u>(13,581,350)</u>	<u>6,275,701</u>
Cash and cash equivalents as at March 31, 2015	20,977,122	14,701,421
Cash and cash equivalents as at March 31,2016	<u>7,395,772</u>	<u>20,977,122</u>
	<u>(13,581,350)</u>	<u>6,275,701</u>

Notes:

- The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2016 and the related Statement of Profit and Loss for the year ended on that date.
- The above cash flow statement has been prepared under the indirect method as set out in the Accounting Standard - 3 on Cash Flow Statements as notified under Section 133 of the Companies Act, 2013 and readwith rule 7 of the Companies (Accounts) Rules, 2014 made by the Company.

This is the Cash Flow Statement referred to in our report of even date

For and on behalf of the Board

For Lodha & Company
Chartered Accountants

B.V. Krishna Reddy
Managing Director

R. Krishnamurthy
Director

R P Baradiya
Partner

Santhosh Kumar Keerthi
Company Secretary

Gopal Kothari
Chief Financial Officer

Place: Bangalore
Date: 16th May, 2016

Notes to the Financial Statements for the period ended March 31, 2016

		(Figures in Rs)			
		March-16	March-15		
1	Share Capital				
	Authorised				
	17500000 Equity Shares of Rs.10 each	175,000,000	175,000,000		
	2500000 Preference Shares of Rs.10 each	25,000,000	25,000,000		
		200,000,000	200,000,000		
	Issued, Subscribed and Paid-up				
	13388200 Equity Shares of Rs.10 each fully paid up.	133,882,000	133,882,000		
	Forfeited shares (62400 @Rs.5 each), paid up	312,000	312,000		
		134,194,000	134,194,000		
a.	Reconciliation of the number of shares outstanding				
	Equity shares	No. of Shares	March-16	No. of Shares	March-15
	Number of equity shares at the beginning of the Year	13,388,200	133,882,000	13,388,200	133,882,000
	Equity shares issued during the year	-	-	-	-
	Less Shares bought back during the year	-	-	-	-
	Number of equity shares at the end of the Year	13,388,200	133,882,000	13,388,200	133,882,000
b.	Terms and rights attached to equity shares				
	The Company has only one class of Equity Shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive the remaining assets of the company, after distribution of all preferential amounts.	-	-	-	-
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 its holding company, ultimate holding company and their subsidiaries/associates are as . below:	-	-	-	-
	Equity shares held by Holding company				
	-United Spirits Limited	10,041,150	100,411,500	10,041,150	100,411,500
d.	Equity Shares :				
	Fully paid-up pursuant to contract(s) without payment being received in cash	-	-	-	-
	Fully paid-up by way of bonus shares	-	-	-	-
	Shares bought back	-	-	-	-
e.	Details of shareholders holding more than 5% shares in the company				
	United Spirits Limited holds 10,041,150 equity shares representing 75.00% of the total paid up equity share capital of the company.	-	-	1,046,271.000	10462710
	Rajasthan Global Securities Limited holds 1,046,271 equity shares(10,46,271 as at 31st March 2015) representing 7.81% as at 31st March,2015) of the total paid up equity share capital of the company.	-	-		
	No other shareholder holds equity shares exceeding 5% of the paid up equity share capital of the company.				

Notes to the Financial Statements for the period ended March 31, 2016

(Figures in Rs)

	March-16	March-15	
2 Reserves and Surplus			
Capital Redemption Reserve (as per last Balance sheet)	23,500,000	23,500,000	
Securities Premium Account (as per last Balance sheet)	62,126,600	62,126,600	
Other Reserves:			
Capital Reserve	65,956,527	65,956,527	
Surplus / (Deficit) as per Statement of Profit and Loss			
Opening balance as per last Balance Sheet	(1,201,569,377)	(866,767,025)	
Transitional Depreciation adjustment (Refer Note-16 C)	-	(118,350,074)	
Add: Profit / (Loss) for the year	342,384,201	(216,452,278)	(1,201,569,377)
	<u>(859,185,176)</u>	<u>(1,201,569,377)</u>	
	<u>(707,602,049)</u>	<u>(1,049,986,250)</u>	
3 Non-Current Liabilities			
3.1. Long-term Borrowings			
Secured			
Term Loans			
From a Bank	108,847,387	276,805,334	
Sales tax deferment	214,597,487	239,215,064	
Less :			
Current Maturities :-			
Term Loans -From a Bank	96,000,000	169,000,000	
Sales tax deferment	27,795,909	24,602,020	
	<u>199,648,965</u>	<u>322,418,378</u>	

a. Nature of security and terms of repayment of secured borrowings

Nature of security	Terms of Repayment
(i) Term loan from a bank Rs. Nil (2014-15 Rs. 67,946,828) are secured by a first charge on fixed assets of the company including land and building	Repayable in 13 equal quarterly installments commencing from Mar-13 along with interest of 13.75% p.a.
(ii) Term loan from a bank Rs 108,847,387 (2014-15 : Rs. 208,858,506) are secured by a first charge on entire fixed assets of the company including hypothecation charge over entire plant & Machinery, building of the proposed expansion project.	Repayable in 21 equal quarterly installments commencing from Mar-13 along with interest of 13.75% p.a.

Above loans are further secured by second charge over the entire current assets and by corporate guarantee issued by the Holding Company, United Spirits Limited

Notes to the Financial Statements for the period ended March 31, 2016

(Figures in Rs)

	March -16	March-15
3.2. Other Long term Liabilities		
Due to Holding Company		
Loan (Interest chargeable@ 12%p.a.(13% in 2014-15)	1,353,906,529	1,353,906,529
Interest Accrued but not due	523,467,566	377,245,660
	1,877,374,095	1,731,152,189
4. Current Liabilities		
4.1. Short Term Borrowings		
Secured		
Working capital loan from a Bank	27,649,387	136,367,762
	27,649,387	136,367,762
Working capital loan is secured by hypothecation of first charge over the entire current assets, i.e. Raw materials, WIP, Finished Goods, consumables and receivables. Further secured by second charge over fixed asset of the Company and issue of Corporate Guarantee by the holding Company, United Spirits Ltd. The loan carries interest @ 2.75% above Base Rate of the bank		
4.2. Trade Payables *		
For Raw Materials	162,104,490	172,367,485
Others	53,034,445	109,720,456
	215,138,934	282,087,941
4.3. Other Current Liabilities		
Current Maturities of long term borrowings	96,000,000	169,000,000
Current Maturities of Sales Tax Deferment loan	27,795,909	24,602,020
Due to Holding Company :-		
Trade Advances	1,399,542,019	1,480,772,023
Others:		
Salaries Payable	6,092,934	3,260,306
Creditors Capital goods	17,155,543	49,065,010
Service tax & Works Contract tax payable	323,745	307,369
TDS Payable	6,845,242	23,826,149
Security Deposit Received	9,950,000	9,450,000
Excise Duty Payable	152,809,691	102,955,471
VAT Payable	129,684,164	41,306,719
Other Liabilities	5,801,062	3,984,605
	1,852,000,310	1,908,529,673
4.4. Short-term Provisions		
Provision For Taxation	229,710	229,710
Employee Benefits:		
Provision for Gratuity	15,695,243	20,106,539
Provision for Leave Entitlement	5,017,440	1,832,710
	20,942,393	22,168,959

* Refer Note No-25

Notes to the Financial Statements for the period ended March 31, 2016

5. Fixed Assets										
5.1. Tangible										
(Figures in Rs)										
Tangible	GROSSBLOCK			DPRECIATION				NETBLOCK		
	As at March 31, 2015	Additions	Deletion/ Adjustments	As at March 31, 2016	As at March 31, 2015	For the Year	Deletion/ Adjustments	As at March 31, 2016	As at March 31, 2016	As at March 31, 2015
Land Land (Free Hold)	39,387,345	-	-	39,387,345	-	-	-	-	39,387,345	39,387,345
Buildings	426,267,829	59,542,309	-	485,810,138	45,989,156	20,055,072	-	66,044,228	419,765,910	380,278,673
Plant and Equipment	2,219,781,156	81,689,253	-	2,301,470,409	890,163,922	234,299,928	-	1,124,463,850	1,177,006,559	1,329,617,234
Furniture and Fixtures	5,343,550	1,141,700	-	6,485,250	1,461,597	479,921	-	1,941,518	4,543,732	3,881,953
Computers	3,343,101	44,950	-	3,388,051	3,199,500	146,036	-	3,345,536	42,515	143,601
Office Equipment	3,955,345	64,300	-	4,019,645	2,722,444	295,357	-	3,017,801	1,001,844	1,232,901
Vehicles	2,154,000	-	-	2,154,000	2,154,000	-	-	2,154,000	-	-
	2,700,232,326	142,482,512	-	2,842,714,838	945,690,619	255,276,314	-	1,200,966,933	1,641,747,905	1,754,541,707
5.2 Capital Work-in-progress										
Building under construction									75408200	60564095
Plant and Machinery under instillation									242616562	335330085
Total									318024762	395894180
FY 2014-15										
5. Fixed Assets										
5.1. Tangible										
(Figures in Rs)										
	GROSSBLOCK			DPRECIATION				NETBLOCK		
	As at March 31, 2014	Additions	Deletion/ Adjustments	As at March 31, 2015	As at March 31, 2014	For the Year	Deletion/ Adjustments	As at March 31, 2015	As at March 31, 2015	As at March 31, 2014
Land (Free Hold)	39,387,345	-	-	39,387,345	-	-	-	-	39,387,345	39,387,345
Buildings	375,448,070	50,819,759	-	426,267,829	32,212,999	13,776,157	-	45,989,156	380,278,673	343,235,071
Plant and Equipment	2,065,734,493	154,046,663	-	2,219,781,156	665,987,337	224,176,585	-	890,163,922	1,329,617,234	1,517,046,096
Furniture and Fixtures	1,533,546	3,810,004	-	5,343,550	1,304,403	157,194	-	1,461,597	3,881,953	560,811
Computers	3,305,584	37,517	-	3,343,101	3,013,577	185,923	-	3,199,500	143,601	292,007
Office Equipment	2,899,186	1,056,159	-	3,955,345	2,344,922	377,522	-	2,722,444	1,232,901	1,273,730
Vehicles	2,154,000	-	-	2,154,000	2,154,000	-	-	2,154,000	-	-
	2,490,462,224	209,770,102	-	2,700,232,326	707,017,238	238,673,381	-	945,690,619	1,754,541,707	1,901,795,060

Notes to the Financial Statements for the period ended March 31, 2016

(Figures in Rs)

	March -16	March-15
6. Long term Loans and Advances		
(Unsecured, considered good unless stated otherwise)		
Capital Advances *	201,363,048	237,485,104
Security Deposits - considered good	6,516,644	3,978,761
Others:		
Balance with Statutory/Government Authorities		
CENVAT Credit Receivable (Input)	55,367,213	59,119,157
Service Tax (Input) Receivable	13,104,025	13,104,025
Less: Cenvat to be utilized in 2016-17	(10,000,000)	(10,000,000)
Subsidy Receivable	136,969,437	51,159,899
Pre-paid Expenses	888,282	772,599
	404,208,650	355,619,544
7. Other Non-Current Assets		
Unsecured, considered good		
Advance taxes and duties	6,388,184	2,654,424
	6,388,184	2,654,424
* Includes Rs.199,317,327 (FY 2014-15 Rs.199,317,327) advance towards purchase of land which will be registered in due course		
8. Current Assets		
8.1. Inventories		
(Valued at lower of Cost or Net Realisable Value)		
Raw Materials	57,523,929	202,050,300
Work-in-Progress	2,394,588	4,267,314
Finished goods	228,049,776	231,650,188
Other Materials, Stores and Spares	56,237,512	40,868,838
	344,205,805	478,836,640
8.2. Trade Receivables		
(Unsecured, considered good unless stated otherwise)		
Exceeding six months:		
Considered Good	1,421,453	1,639,605
Considered Doubtful	711,681	711,681
Less: Provision for Doubtful Debts	(711,681)	(711,681)
	1,421,453	1,639,605
Others		
Considered Good	6,006,823	1,595,099
	7,428,276	3,234,704
8.3. Cash and Cash Equivalents		
Balances with Banks:		
On Current accounts	7,029,918	20,521,251
On Deposit account	365,854	365,854
Cash on Hand	-	90,017
	7,395,772	20,977,122

Notes to the Financial Statements for the period ended March 31, 2016

(Figures in Rs)

	March -16	March-15
8.4. Short Term Loans and Advances		
(Unsecured, considered good unless stated otherwise)		
Interest accrued on deposit	121,775	362,127
Sales Tax Receivable	72,905,770	72,767,041
Prepaid State excise duty	45,023,158	8,821,143
	118,050,703	81,950,311
8.5. Other Current Assets		
Subsidy Receivable	732,132,429	368,537,931
Prepaid Expenses	13,158,752	10,137,037
Others	26,604,796	14,549,052
	771,895,977	393,224,020
9. Revenue from Operations		
Sale of Products	3,091,354,576	2,120,062,946
Less Excise Duty	1,662,552,174	615,726,116
	1,428,802,402	1,504,336,830
10. Other Operating Income		
Subsidy Income (Refer note 30)	812,727,036	309,475,686
Scrap Sales	9,506,126	4,007,376
Others	22,000	12,000
	822,255,162	313,495,062
11. Cost of Materials Consumed		
Materials Consumed	1,123,095,784	1,432,924,932
	1,123,095,784	1,432,924,932
12. Changes in Inventories of Finished Goods and Work-in-Progress		
Opening Stock:		
Work-in-Progress	3,156,317	14,411,645
Finished Goods	232,761,185	55,032,352
	235,917,502	69,443,997
Closing Stock:		
Work-in-Progress	2,394,588	3,156,317
Finished Goods	228,049,776	232,761,185
	230,444,364	235,917,502
	5,473,137	(166,473,504)

Notes to the Financial Statements for the period ended March 31, 2016

(Figures in Rs)

	March -16	March-15
13. Employee Benefits Expenses		
Salaries and Wages	102,348,512	68,253,337
Contribution to Provident and Other Funds	12,810,841	12,311,682
Staff Welfare expenses	2,828,101	2,284,459
	117,987,454	82,849,478
14. Finance Cost		
Interest expenses (Refer Note No.22)	222,866,882	392,150,341
Other Borrowing cost	258,617	233,617
	223,125,499	392,383,958
15. Other Expenses		
Power and Fuel	28,847,748	27,656,999
Rent	8,835,133	7,607,502
Repairs & Maintenance		
Buildings	4,700,371	9,378,728
Plant and Machinery	68,462,145	51,469,307
Others	6,553,625	10,018,285
Rates and Taxes	24,115,517	22,463,655
Insurance	1,559,244	1,999,329
Travelling and Conveyance	4,445,414	2,928,650
Legal and Professional	9,225,079	3,735,459
Freight Outwards	253,514	45,146
Provision for Bad and Doubtful Debts and advances	13,106,420	15,092,229
Cash Discount	61,380	256,642
Directors' :		
Sitting Fee	233,800	241,574
Auditors' Remuneration:		
Audit Fees including Limited Review Fees	1,206,725	1,105,350
Tax Audit Fees	575,000	483,270
For Reimbursement of expenses	116,018	179,347
Personnel and Administration	11,138,092	8,740,668
Selling and Distribution	10,729	41,624
Miscellaneous	13,527,075	17,456,082
	196,973,028	180,899,846

Notes to the Financial Statements for the period ended March 31, 2016

16. Notes to Accounts

Statement of Significant Accounting Policies

A. Basis of preparation of Financial Statements

The Financial Statements of the Company are prepared under historical cost convention on accrual basis, in accordance with the Generally Accepted Accounting Principles (GAAP) in India, the Accounting Standards as specified in the Companies (Accounting Standard) Rules 2006, and the relevant provisions of the Companies Act, 2013.

B. Fixed Assets

Fixed assets are stated at their original cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation of the assets concerned. Interest on borrowings attributable to qualifying assets are capitalised and included in the cost of fixed assets as appropriate.

C. Depreciation:

Depreciation is provided on the Straight Line Method applying the useful lives prescribed in Schedule II to the Companies Act, 2013.

Consequent to the enactment of the Companies Act, 2013 (the Act) and its applicability for accounting periods commencing from April 1, 2014, the Company has realigned the remaining useful life of its tangible fixed assets in accordance with the provisions prescribed under Schedule II to the Act. Consequently, in case of tangible fixed assets which have completed their useful life, the carrying value (net of residual value) as at April 1, 2014 amounting to Rs 1183 Lacs has been adjusted to "Surplus/(Deficit) in the Statement of Profit and Loss" and in case of other tangible fixed assets the carrying value (net of residual value) is being depreciated over the revised remaining useful lives. Accordingly, the depreciation and amortization expense for the previous Year ended March 31, 2015 is higher by Rs.1232.56 Lacs.

D. Revenue Recognition:

Revenue from sale of good is recognized when significant risks and rewards in respect of ownership of products are transferred to the customers. Revenue from product sales is stated inclusive of excise duty, but are net of trade discount and sales tax where ever applicable.

E. Inventories:

Inventories are valued at lower of cost and net realisable value. The costs are in general, ascertained under Weighted Average Method. Finished goods and Work-in-Progress include appropriate portion of manufacturing overheads costs, as applicable. Excise duty payable on stocks in bond is added to the cost.

F. Employee Retirement Benefit:

- i. Provident Fund: Contributions payable to the recognized provident fund, which is a defined contribution scheme, is charged to the statement of profit and loss.

Notes to the Financial Statements for the period ended March 31, 2016

- ii. **Gratuity:** Contribution payable to an approved gratuity fund (a defined benefit plan), determined by an independent actuary based on projected unit credit method at the balance sheet date. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Statement of Profit and Loss as income or expense.
- iii. **Leave entitlement:** Leave entitlement cost which is recognized as a liability at the present value of the defined benefit obligation at the balance sheet date on actual valuation.

G Taxes on Income:

Provision for income tax comprises current taxes and deferred taxes. Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable/ virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realised.

H Earnings/(Loss) per Share (EPS)

Basic EPS is arrived at based on Net Profit after Taxation available to equity shareholders to 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.

I Provisions

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions, other than employee benefits are not discounted to their present value and are determined based on management estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

J. Contingencies

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and, to the extent not provided for, are disclosed by way of notes on accounts.

K. Expenditure

Expenses are net of taxes recoverable, where applicable.

Notes to the Financial Statements for the period ended March 31, 2016

L. Borrowing Costs

Borrowing costs incurred for the acquisition of qualifying assets are recognised as part of cost of such assets when it is considered probable that they will result in future economic benefits to the Company while other borrowing costs are expensed in the period in which they are incurred.

M. Government Grants:

Government Grant related to revenue are recognised in the statement of Profit and Loss on a systematic basis over the period to which they are incurred.

N. Leases

Assets acquired on leases, where a significant portion of the risk and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on accrual basis.

O. Impairment

Impairment loss, if any, is provided to the extent the carrying amounts of assets exceed their recoverable amounts.

Recoverable amount is higher of the net selling price of an asset and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

17. Contingent Liabilities:-

Disputed statutory Dues:

Name of Statute	Nature of Dues	Disputed Amount Including interest up to the date of Demand (Rs.)	Paid (Rs)	Unpaid (Rs)	Period to which Amount relates to	Forum where dispute is pending
The Income Tax Act 1961	Income Tax	2,000,000	0	2,000,000	Assessment Year 2007-08	Commissioner of Income Tax (Appeals)
The Income Tax Act 1961	Income Tax	8,453,337	3,826,230	4,627,107	Assessment Year 2010-11	Commissioner of Income Tax (Appeals)
Commercial Tax Maharastra	Commercial Tax	9,223,162	0	9,223,162	Financial Year 2008-09	Dy. Commissioner Appeals Commercial Tax
Commercial Tax Maharastra	Commercial Tax	245,471,550	0	245,471,550	Financial Year 2011-12	Dy. Commissioner Appeals Commercial Tax
Revenue Authority Nanded District Maharastra	NA Tax	6,213,000	0	6,213,000	Financial Year 2011-12	Additional Divisional Commissioner Aurangabad
Agriculture Product Market Committee	Cess	3,859,000	0	3,859,000	Financial Year 2011-12	Agriculture Product Market Committee
Service Tax Department*	Service Tax	2,251,083	2,251,083	0	Financial Year 2015-16	Delhi High Court

* Note :- Service tax paid under protest and will be reimbursed by the Customer once the case is decided

Notes to the Financial Statements for the period ended March 31, 2016

The Company's pending litigations comprise of claims against the Company and proceedings pending with Tax and other Authorities. The Company has reviewed all its pending litigations and proceedings and has made adequate provisions, wherever required and disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not reasonably expect the outcome of these proceedings to have a material impact on its financial statements.

18. Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 181,091,021/- (2015: Rs 257,670,478/-)

19. Employee Benefits :

Defined benefit plan – 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 a Insurance Company:

I. PRINCIPAL ACTUARIAL ASSUMPTIONS [Expressed as weighted averages]	FY 2015-16	FY 2014-15
Discount Rate	8.00%	7.80%
Salary escalation rate	10.00%	13.00%
Attrition rate	2.00%	2.00%

Changes In The Present Value Of The Obligation (Pvo) - Reconciliation Of Opening And Closing Balances:		
	FY 2015-16	FY 2014-15
PVO as at the beginning of the period	20,464,776	11,048,702
Interest Cost	1,570,968	1,005,432
Current service cost	2304,352	1,495,720
Past service cost - (non vested benefits)	-	-
Past service cost - (vested benefits)	-	-
Benefits paid	(648,316)	-
Actuarial loss/(gain) on obligation (balancing figure)	(7,996,537)	9,614,922
PVO as at the end of the period	15,695,243	20,464,776

Notes to the Financial Statements for the period ended March 31, 2016

B. Changes In The Fair Value Of Plan Assets - Reconciliation Of Opening And Closing Balances:		
	FY 2015-16	FY 2014-15
Fair value of plan assets as at the beginning of the period	-	305,729
Expected return on plan assets	-	24,422
Contributions	-	-
Direct Contributions	648,316	-
Benefits paid	-	-
Direct Benefits Paid	(648,316)	-
Actuarial gain/(loss) on plan assets [balancing figure]	-	28,536
Fair value of plan assets as at the end of the period	-	358,237

20. Details of Turnover:

(Amount in Rs)

Particulars	2015-16	2014-15
ENA	975,872,500	1,301,568,750
Others	452,929,902	202,768,080
Total	1,428,802,402	1,504,336,830

21. Segment Reporting :

The Company is primarily engaged in the business of Extra Neutral Alcohol and allied products. Since the inherent nature of all activities are integrated and governed by the same set of risk and returns and operating in the same economic environment, these have been grouped as a single segment in the financial segments. The said treatment is in accordance with the Accounting Standard (AS 17) on "Segment Reporting"

22. Related Party transaction:

Related parties and transactions with them, as identified by the management in accordance with the Accounting Standard 18, as notified by the Companies (Accounting standard) Rules 2006, are as follows:

United Spirits Limited: Holding Company

Mr. B V Krishna Reddy: Key Management Personnel

Mr. Debasis Chaudhuri : Key Management Personnel

Mr. Gopal Kothari: Key Management Personnel

Mr. Santosh Kumar Keerthi: Key Management Personnel

Notes to the Financial Statements for the period ended March 31, 2016

Amount in Rs

SI No	Name of Related Party	Relationship between the parties	Nature of Transaction	2015-16	2014-15
1	United Spirits Ltd	Holding Company	Sale of Goods	3,319,798,846	1,343,768,913
			Interest Express*	162,468,783	305,772,232
			Salary recharge	15,474,859	Nil
			Corporate Guarantee	293,847,387	461,805,334
			Amount due to	3,276,916,114	3,211,924,212
3	Mr. B V Krishna Reddy	Key Management Personnel	Salary	3,097,338	Nil
4	Mr. Debasis Chaudhuri	Key Management Personnel	Salary recharge	1,062,070	Nil
5	Mr. Gopal Kothari	Key Management Personnel	Salary recharge	1,772,268	Nil
6	Mr. Santhosh Kumar Keerthi	Key Management Personnel	Salary recharge	725,851	Nil

* During the Previous year, in Q4, the holding company has raised a debit note aggregating to Rs.2077.64 lacs, with respect to interest for the period from 01.04.2012 to 31.03.2015, on advance granted to the Company of Rs.60 Crore in the year 2011-12.

Notes to the Financial Statements for the period ended March 31, 2016

23. Income Tax :

- A) Current Taxation : Nil
B) Deferred Taxation

Amount in Rs

Particulars	2015-16	2014-15
Tax impact on difference between carrying amount of Fixed Assets in the financial statements & Income Tax	(240,359,005)	(242,997,879)
Impact on account of carry forward Business Losses and unabsorbed Depreciation	656,122,110	548,178,827
Tax Impact of expenses charged in the financial statements but allowable as expenditure in future years	(372,820)	3,647,073
Deferred Tax Asset / (Liability) (net)	415,390,285	308,828,021
Less Deferred Tax Asset not recognised	415,390,285	308,828,021

24. a) In the opinion of the management assets other than fixed assets have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.
- b) The accounts of certain Banks, Secured Loans, Trade Receivable, Trade Payable, Other Current Liabilities and Loans & Advances are however, subject to formal confirmations/reconciliation & consequent adjustments if any. The Management does not expect any material difference affecting the current period's financial statements on such reconciliations/adjustments.
25. The Company has not received the intimation from the suppliers regarding their status under the Micro, Small and Medium enterprises development Act, 2006 and hence disclosures, if any relating to amounts unpaid as at year end together with interest paid, payable as required under the said Act have not been given.
26. There are no foreign exchange earnings and outflows during the year.
27. The Company's liability on Sales Tax Deferment provision made up to the year 2009-10 is Rs. 2,878.06 lakhs under the head Unsecured Loans (Schedule 4) which has been collected under deferral scheme of Maharashtra State Government and is repayable in 14 years starting from the end of the 10th year i.e 2010-11. During the year 2015-16 the company has repaid its 6th installment of Rs.24,602,020/-.

Notes to the Financial Statements for the period ended March 31, 2016

28. Earning Per Share :

Particulars	2015-16	2014-15
Calculation of weighted average no. of equity shares of Rs.10/- each		
Number of equity shares at the beginning of the year	13,388,200	13,388,200
Number of equity shares issued during the year	0	0
Number of equity shares outstanding at the end of the year	13,388,200	13,388,200
Weighted average of Equity Shares	13,388,200	13,388,200
Net Profit after tax (Rs)	(342,384,201)	(216,452,278)
Basic Earning per share of Rs.10/- each	25.57	(16.17)
Diluted Earning per share	25.57	(16.17)

29. a. The reference made by the Company to the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) in compliance with Section 15 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) has been registered as Case No. 70/2012. The matter is pending before BIFR for further orders.
- b. Considering the projects on bottling capacity expansion and completion of malt spirit plant, the management is hopeful of reversing the losses in the coming years with the committed Financial, Technical and Administrative support from the Holding Company. Accordingly, these financial statements have been prepared on a going concern basis.
- 30) a. Based on the expert opinion received and in accordance with the treatment prescribed under the Accounting Standard 12 –Government Grants, the Company has during the year recognised subsidy receivable pursuant to PSI Scheme 2007 of the Government of Maharashtra under the Income approach.
- b. The Company is entitled to a Government Grant up to Rs. 14489.00 Lacs mostly in the form of VAT refund from the State of Maharashtra and which is being recognised as other operating income in the statement of Profit & loss on a systemic basis over the period it accrues. Until March 16, the Company has recognised Grant aggregating to Rs. 12834.04 Lacs (including Rs. 3117.02 Lacs in Quarter ended March-16; Rs. 8127.27 Lacs for the year ended 31st March 2016 and Rs. 3094.76 Lacs in the previous financial year ended on 31st Mar15).

- 31) Previous year's figures have been regrouped or rearranged wherever necessary to be in conformity with the current year's classification.
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For and on behalf of the Board

B.V. Krishna Reddy
Managing Director

R. Krishnamurthy
Director

Santhosh Kumar Keerthi
Company Secretary

Gopal Kothari
Chief Financial Officer

Place: Bangalore
Date: 16th May, 2016