

Pioneer Distilleries Limited  
Subsidiary of United Spirits Limited

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#24, Vittal Mallya Road,  
Bengaluru 560 001

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info@pioneerdistilleries.com

September 24, 2018

1. National Stock Exchange of India Limited  
Exchange Plaza, C-1, Block G  
Bandra Kurla Complex, Bandra (East)  
Mumbai - 400 051  
Scrip Code: PIONDIST
2. BSE Limited  
(Regular Office & Corporate Relations Dept)  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai - 400 001  
Scrip Code: 531879

Sir/Madam,

**Sub: Disclosure of information pursuant to Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Please find attached the Annual Report of Pioneer Distilleries Limited which was approved and adopted in the Twenty-Fifth Annual General Meeting of the Company. All the disclosures in this regard have been duly complied.

Kindly take note of the above on your record.

Thanking you,

Yours faithfully,

**for PIONEER DISTILLERIES LIMITED**



**B.L AKSHARA  
COMPANY SECRETARY**

Encl: Annual Report of the Company

# PIONEER DISTILLERIES LIMITED

(a subsidiary of United Spirits Limited)

25<sup>th</sup>  
Annual Report  
2017-18

# Managing Director's Message

**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 March 31, 2018. It has been two and half years since I joined the board of Pioneer Distilleries Limited (PDL) and I am privileged to be part of PDL as Managing Director. This year your Company reported profit due to subsidy accrual of Rs 167 Crore and improvement of Cost of Goods Sold ("COGS") due to softening of Molasses, Grain fuel price and revamping of utilities. The second phase project has been commissioned in December 2017, which is under stabilization.



Your Company has made improvements on various points mentioned in previous year: (i) Company's commitment to the highest standards of corporate governance and strong focus on compliance and ethical conduct in our actions (ii) a strong move to strengthen commercial and operational controls and institute robust systems and processes (iii) optimum utilization of resources (iv) acquiring new customers (Other than United Spirits Limited) for selling Extra Neutral Alcohol (ENA) and other by-products and (v) making the right investments in our manufacturing facilities. In all the above, your Company has been fully supported by the holding company namely United Spirits Limited (USL).

## Improving efficiencies

As per our strategies to bring efficiency into our supply chain, to reduce and sustain the impact of COGS; we have achieved efficiencies in terms of processes and continue our focus on sustaining the efficiencies there by bringing down the operational expenses, better working capital management and improving the cash flow. India presents one of the most exciting opportunities in the world and it is forging ahead as the fastest growing economy. What makes India particularly attractive is not just the economic growth, but the driving factor for such growth. An aspirational middle class and a vast number of consumers moving towards affluence is ensuring that the core fundamentals for consumption remain robust.

We have made good strides in our transformational journey, but there is more work to be done. We need 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 previously has set us firmly on the runway to success.

We have progressed when compared to previous years owing to good rainfall in Maharashtra leading to easy availability of raw material viz., molasses, grain & water. Amidst this environment, your Company was able to deliver an exponential growth in Indian Made Foreign Liquor (IMFL) bottling volumes during the year when compared to the previous year. For the financial year ended March 31, 2018 your Company recorded post tax profit of Rs.70.43 Crore. Your Company had installed and commissioned additional IMFL bottling line during the previous year based on which it accrued Rs. 166.85 Cr Government subsidy (after discounting as per Ind AS) during the year. As a proactive step to mitigate water scarcity, your Company has developed rain water harvesting mechanism to store 60 Crore liters of rain water which can be utilized for 5 months without depending on other sources.

As you are aware, your Company has invested in Fresh malt spirit (FMS) Production and maturation facility with a capacity of 36 Lbl (lakhs bulk liters) per annum. This new product line has given opportunity of improving our revenue and Profit. We have started maturing malt spirits from October 2017 which will be supplied to USL after maturation.

Your company has developed business strategy up to 2021 and has begun taking initiatives to stream line the operational performance of your Company. Ultimately, we are committed towards maintaining our business strategy of prudent cost management, coupled with proactive investments for the future.

With Alcobeve being a state-controlled subject, the industry faces challenges in procuring numerous licenses, label approvals, varied excise regulations etc; which adds to the complexity making time lines uncertain thereby restricting products from being distributed freely across the nation and inter-state taxes limit economies of scale. These challenges have made business environment difficult and unpredictable.

Your Company has assisted in recharging infrastructure for local water storage tanks for farming, supported government schools by providing digital infrastructure for class rooms, distributed sewing machines to needy women to promote self-employment, etc. Your Company has also provided water facility in village during summer.

As part of our dedication to environmental sustainability, your Company has streamlined the 6.45 Megawatt steam turbine and power distribution system to support 100% captive power requirement. Your company has installed facilities for re use of process water thereby reducing the water consumption in the process plant.

Your company has invested in facilities/equipment to achieve Zero liquid norms stipulated by pollution control board and it has also installed firefighting system to ensure fire safety in the plant. Your Company has built infrastructure to improve safety and security of the people and plant assets.

I hope and expect your company will progress steadily in the years to come and deliver as expected.

I am happy to mention that your Company has appointed Mr. R Krishnamurthy as Chairman of the Board and also appointed two more directors, Mr. Sanjeev Gupta (EVP-Manufacturing of United Spirits Limited) and Mr. Ajay Goel (EVP and Finance Controller of United Spirits Limited), to strengthen the board composition and competencies.

On behalf of the Board, I would like to extend our deepest appreciation to the management team for their dedication and commitment in driving your company forward. Our sincere appreciation also goes to all employees for playing an important role in ensuring that your company continues to be one of the leading Distillery in Maharashtra. We would also like to express our gratitude to all stakeholders, partners and customers for their support to your Company.

I thank you for your continued faith and support.

For Pioneer Distilleries Limited

**B V Krishna Reddy**  
Managing Director

## Board of Directors

### **Mr. R. Krishnamurthy, *Chairman***



Mr. R. Krishnamurthy has completed his Graduation in Commerce, Science and Law. He is also a member of the Institute of Company Secretaries of India. He has a rich experience in Compliance of various Laws and Administration. Mr. R. Krishnamurthy possess relevant experience and knowledge in the field of Law and Administration. Presently, Mr. R. Krishnamurthy practices as an Advocate in the High Court of Karnataka.

### **Mr. B.V. Krishna Reddy, *Managing Director***



Mr. B.V. Krishna Reddy has done B.Tech from SVU College of Engineering, Tirupati, M. Tech from IIT, Kharagpur and Executive General Management Program from IIM, Bangalore and has completed PGDHRM from Indira Gandhi Open University. Mr. Reddy has over 25 years of professional experience. Mr. Krishna Reddy formerly worked with Honeywell Technology Solutions , BPL Engineering, Union Carbide / Eveready Industries Limited and WIPRO Lighting.

### **Ms. Mamta Sundara, *Director***



Ms. Mamta Sundara has 16 years of experience as a legal professional working in India, Singapore and London across adverse range of businesses including telecom and consumer durables. Ms. Mamta Sundara has joined United Spirits Limited as the General Counsel in February 2015. Prior to that, she has spent 6 years in various roles in Diageo across London, Mumbai and Bangalore, with her last role providing support to the strategy and standards work done within United Spirits Limited. Prior to Diageo, Ms. Mamta Sundara has spent 4 years based in Singapore and providing support all legal aspects for the South East Asia business of the Global Services division of British Telecom.



**Ms. Junia Sebastian, *Independent Director***

Ms. Junia Sebastian is 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. Ms. Junia 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. Ms. Junia has extensively worked on various employment law matters including those arising as 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.



## Ajay Goel

Ajay Goel is Executive Vice President and Finance Controller at United Spirits Limited (USL)—a Diageo Group Company and is part of Diageo India Leadership Team. He is responsible for controller ship, taxation, treasury, risk management functions for USL and governance of 21 subsidiaries network for Diageo in India.

He has around 18 years of diversified work experience with Nestle, Coca-Cola, GE and now with Diageo. In his career spanning across FMCG and Industrial companies, Ajay has worked both in technical finance and business finance in the areas of Financial Planning and Analysis, Controllershship, Supply Finance and as CFO.

Prior to joining Diageo, Ajay was with General Electric (GE) where he spent 10 years in various roles of increasing responsibility including CFO - GE Light India and CFO – Supply Chain GE India region.

He is a Commerce Graduate, Chartered Accountant and Company Secretary.



## **Sanjeev Kumar Gupta**

Sanjeev K Gupta is Executive Vice President – Manufacturing Operations at United Spirits Limited – a Diageo Group Company and is part of Diageo India Leadership Team. He is responsible for manufacturing operations of own units , third party manufacturing units, operations excellence and engineering and capital projects for Diageo India business.

He has around 28 years of diversified work experience with Unilever in India and Srilanka, Mondelez in South East Asia, Tata steel and Ceat Tyres. In his career spanning across FMCG and Industrial companies, Sanjeev has worked in various supply chain functions including manufacturing, Quality Assurance, Manufacturing Excellence, Demand/Supply Planning and Logistics and has been in the country leadership team in Unilever Srilanka and Mondelez in Indonesia and Vietnam.

Prior to joining Diageo, Sanjeev was with Mondelez International as Integrated Supply Chain Director and was leading end to end supply chain for Vietnam business.

He is an engineering graduate from IIT Roorkee and post graduate from NITIE Mumbai.



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**BOARD OF DIRECTORS:**

**Mr R Krishnamurthy**

*Chairman*

**B V Krishna Reddy**

*Managing Director*

**Mamta Sundara**

**Junia Sebastian**

**Ajay Goel**

**Sanjeev Gupta**

**CHIEF FINANCIAL OFFICER:**

**Sanjoy Sarkar**

**COMPANY SECRETARY:**

**B L Akshara**

**AUDITORS:**

**Price Waterhouse & Co, Chartered Accountants LLP**

5th Floor, Tower 'D', The Millenia,

1 & 2 Murphy Road, Ulsoor,

Bengaluru - 560 008

**REGISTERED OFFICE:**

Roxana Towers, Ground Floor,

M.No.7-1-24/1RT/G1 & G2,

Greenlands, Begumpet,

Hyderabad 500 016

**CORPORATE OFFICE:**

Level 6, UB Tower, #24,

Vittal Mallya Road,

Bengaluru – 560 001

**REGISTRARS &**

**TRANSFER AGENTS:**

**Venture Capital and Corporate Investments**

**Private Limited**

H.No.12-10-167,

Bharat Nagar,

Hyderabad 500018

Tel: 040 2381 8475/76,

Fax: 040 2386 8024

## Report of the Directors

Your Directors have pleasure in presenting the 25<sup>th</sup> Annual Report of your Company and the audited financial statements for the year ended March 31, 2018.

### FINANCIAL RESULTS

The Summary of Financial Performance of the Company for the year 2017-18 is as under:

(₹ in Lakhs)

Particulars	2017-18	2016-17
Gross sales	12,370.03	9,403.31
Add: Other operating revenue	1,129.95	256.29
Add: Other income	281.33	3.50
<b>Total Income</b>	<b>13,781.31</b>	<b>9,663.11</b>
Less: Cost of goods sold	10,263.00	7,384.16
Less: Excise duty	11.85	14.42
Less: Other costs	4,033.86	3,619.37
<b>Earnings before government grant, depreciation, interest and taxes</b>	<b>-527.40</b>	<b>-1,354.85</b>
Add: Government grant	16,685.44	1,655.11
<b>Earnings before depreciation, interest and taxes</b>	<b>16,158.04</b>	<b>300.27</b>
Less: Interest costs	2,254.48	1,931.60
Less: Depreciation	3,661.16	2,732.81
<b>Earnings before taxes</b>	<b>10,242.40</b>	<b>-4,364.14</b>
Income taxes	3,199.09	-1,344.09
<b>Total comprehensive income available for appropriation</b>	<b>7,043.31</b>	<b>-3,020.05</b>
Retained earnings of previous year	-7343.12	-4323.08
<b>Balance carried to Balance Sheet</b>	<b>-299.81</b>	<b>-7343.12</b>

### DIVIDEND

In view of the accumulated loss of the preceding years, your Directors do not recommend any Dividend on the equity shares of the Company.

### BOARD MEETINGS

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

### STATE OF COMPANY'S AFFAIRS

Except to the extent as stated under Material changes and Commitments, there have been no significant or material orders passed during the year by the regulators or Courts or Tribunals impacting the going concern status and the company's operations in future.

## Report of the Directors (*Contd.*)

### Performance of the Company

The Company has achieved a Turnover of Rs. 12,370.03 Lakhs for the financial year ended March 31, 2018 against the Turnover of Rs. 9,403.31 Lakhs for the financial year ended March 31, 2017. The Company has reported a profit before tax of Rs. 10,242.40 Lakhs due to accrual of government subsidy of Rs. 167 crores which was received during the year.

### DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on March 31, 2018, equity shares representing 97.60% 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.

Members may please note that effective from 05 December 2018, shares of the listed entity can be traded only in dematerialized mode pursuant to SEBI notification SEBI/LAD-NRO/GN/2018/24 published on 08 June 2018.

### DIRECTORS AND KEY MANAGERIAL PERSONNEL

As per the provisions of the Companies Act, 2013 (the Act), Ms. Mamta Sundara retires by rotation and, being eligible, offered herself for re-appointment. Mr. B.V Krishna Reddy whose tenure of office ended on September 30, 2017 was reappointed by the board on August 14, 2017 for a further period of two years w.e.f October 01, 2017 and the resolution for the same has been moved for ratification of shareholders through special resolution. Your company also appointed Mr. Sanjeev Gupta and Mr. Ajay Goel as Additional Directors w.e.f March 07, 2018 whose period of office expires at the ensuing AGM (Annual General Meeting). The Nomination and Remuneration Committee has recommended their appointment which has been provided in the notice to AGM.

A brief profile of Ms. Mamta Sundara, Mr. B.V Krishna Reddy, Mr. Sanjeev Gupta and Mr. Ajay Goel are provided in the Notice convening this AGM.

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.

### DECLARATION FROM INDEPENDENT DIRECTORS

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

### FAMILIARISATION PROGRAM UNDERTAKEN FOR INDEPENDENT DIRECTORS

The details of familiarization program 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>.

## Report of the Directors (*Contd.*)

There have been meetings of Independent Directors at regular intervals which were conducted without the presence of other Directors, the details of the meetings has been provided in the Corporate Governance Report.

### REMUNERATION POLICY

The ratio of the remuneration of each director to the median employee's remuneration, the names of the top ten employees in terms of remuneration drawn and other details during the financial year 2017-18 in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1)&(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in **Annexure 1** and also in the Corporate Governance Report and form MGT 9, which forms part of this report. As stated in the Corporate Governance Report, sitting fees were paid to Independent Directors for attending Board/Committee meetings. They are also entitled for 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 been carrying out an annual performance evaluation of its own performance, the performance of its Directors individually, as well as that of the Board Committees. The evaluation process considers 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 is 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

Your company had on July 26, 2018 received closure directions from the Maharashtra Pollution Control Board subsequent to the close of the financial year under review for closure of manufacturing activity of the Company under Section 33A of The Water (Prevention & Control of Pollution) Act, 1974 and under Section 31A of The Air (Prevention & Control of Pollution) Act, 1981 alleging pollution caused by the Company. The Company is seeking legal advice to represent and/or appeal before the Competent Authority or a Court of Competent Jurisdiction for challenging and setting aside the Closure Direction.

### 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 which forms part of the Annual Report.

All the recommendations of the Audit and Risk Management Committee were accepted by the Board.

### 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

Your Company has established and maintained a framework of internal financial controls and compliance systems. Based on Board's review of 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 and the confirmation received from the external parties, 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.Price Waterhouse & Co., Chartered Accountants LLP (FRN 304026E/E-300009), were appointed as Statutory Auditors of your Company in the 24<sup>th</sup> AGM held on 28 July 2017 for a period of 5 years till the conclusion of the 29<sup>th</sup> AGM of the company. Pursuant to provisions of the Companies (Amendment) Act 2017, ratification of the appointment made at the earlier Annual General meeting is dispensed with.

### 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, a Company Secretary in Practice to undertake the Secretarial Audit of the Company for the Financial Year 2017-18. The Secretarial Audit Report is given as **Annexure 2**, forming part of this Report.

### RISK MANAGEMENT

The Company has a Risk Management framework. Risk evaluation by the management is an ongoing process within the organization and is periodically reviewed by the Board of Directors. Risk Management has been made part of Audit Committee by renaming the Audit Committee as Audit and Risk Management Committee. The Risk management policy adopted by the company has been explained in the Management Discussion and Analysis Report which forms part of this Annual report.

### WHISTLE BLOWER MECHANISM

The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting illegal or unethical behavior. The Company has a Whistle blower mechanism under which the employee and directors are free to report violations of applicable laws and regulations and the Code of Conduct and as part of the mechanism all the employees are provided access to the Chairman of the Audit Committee. The Whistle Blower Mechanism of the Company can be accessed on the website at the following link: [www.diageospeakup.com](http://www.diageospeakup.com)

### RELATED PARTY TRANSACTIONS

The Company has formulated a Policy on dealing with Related Party Transactions (RPTs) which has been reviewed by the Audit Committee at regular intervals. The Policy is disclosed on the website of the Company

## **Report of the Directors (*Contd.*)**

at the web link: <http://www.pioneerdistilleries.com/policies.php>. All transactions entered 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 entered by the Company with promoters, directors, key managerial personnel or other designated persons which may have a potential conflict of interest with the Company.

The details of the RPTs in Form AOC-2 is enclosed and marked as **Annexure 3**. In accordance with Ind AS 24, the RPTs are disclosed under Note 36 to the financial statements.

### **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 part of this report.

### **FIXED DEPOSITS**

The Company has not accepted any deposits from the public during the year. There was no fixed deposit amount that remained unpaid/unclaimed as at the end of 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 2017-18 have been paid to these Stock Exchanges.

### **TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND**

In terms of Sections 124 and 125 of the Act (erstwhile Section 205A(5) and 205 C of the Companies Act, 1956), read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), both of which were applicable with effect from September 07, 2016, the unclaimed/unpaid dividend remaining unclaimed / unpaid for a period of seven years, have been transferred to the IEPF. There were no amount pending to be transferred to the IEPF account for the financial year ended March 2018.

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 complied with.

### **HUMAN RESOURCES**

None of the employee draws remuneration in excess of the limit prescribed under rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

## **Report of the Directors (Contd.)**

### **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 4** 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 5** to this Report.

### **CORPORATE SOCIAL RESPONSIBILITY**

The CSR committee though not mandatory has been setup by the company, the composition and other details have been provided in the Corporate Governance Report.

Your company believes that the company will grow if the communities around the factory establishments also grows. Accordingly, even though your company is presently not required to spend any amount under Corporate Social Responsibility (“CSR”) due to the average net profit for the last three years being negative, the Company has still met its social objectives by spending on the following CSR activities in the vicinity of the Company’s factory:

1. Provided 11 borewells in the water scarce areas of Dharmabad taluk to meet the water requirement during summer season.
2. Conducted a health checkup camp in Balapur village and 100 people benefited from the health camp.
3. Provided Sewing machines to the needy women to support them economically and raise the standard of living.
4. Arranged water stall in the Balapur village to provide drinking water facility during summer.
5. Funded digital classroom setup for Zilla Parishad School at Rampur village to help school children learn the basic computer knowledge and internet.

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

The Company has implemented 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, 2018.

### **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;



## Report of the Directors (*Contd.*)

- (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, 2018;
- (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 has implemented proper systems in place to ensure compliance with the provisions of all applicable laws so that such systems are adequate and operate effectively.

## ACKNOWLEDGMENT

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

By Authority of the Board

Bengaluru  
July 30, 2018

**R Krishnamurthy**  
Chairman

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Adhering to the basic tenets of integrity, fairness and transparency in all its operations and action must result in sustained growth and long term benefits to all its stakeholders.

### 2. BOARD OF DIRECTORS

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

During the financial year under review, Six Board Meetings were held i.e. on May 10, 2017, June 23, 2017, August 14, 2017, November 07, 2017, January 03, 2018 and February 12, 2018 and the gap between any two Board meetings did not exceed 120 days.

Attendance of each Director at the Board Meetings during the financial year 2017-18 and the last Annual General Meeting (AGM) and the details of number of outside Directorships 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 July 28, 2017	Number of other Companies in which Director	No of Committees (other than the Company) as Chairperson/ Member*
Mr. R. Krishnamurthy	Chairman and Non-Executive Independent Director	6	Yes	2	3
Mr. B.V. Krishna Reddy	Managing Director	6	Yes	Nil	NA
Ms. Mamta Sundara	Non-Executive Director	5	No	1	NA
Ms. Junia Sebastian	Non-Executive Independent Director	5	Yes	2	1
Mr. Sanjeev Gupta**	Additional Director	0	NA	1	0
Mr. Ajay Goel**	Additional Director	0	NA	1	1

\* Membership, chairmanship in Audit and Stakeholders Relationship Committee only.

\*\* Appointed as an Additional Director w.e.f March 07, 2018

#### NOTE:

The above details are in respect of their Directorships only in Companies incorporated in India.

- Out of 2 other Companies in which Mr. R. Krishnamurthy is a Director, 1 is Private Limited Company, which is subsidiary of a Public Company.
- The other Company in which Ms. Mamta Sundara is a Director is a Private Limited Company which is subsidiary of a Foreign Company.
- None of the Directors of the Company are related to any other Director.

## Corporate Governance Report (Contd.)

### Directors' Profile

Details of the Directors seeking 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 AND RISK MANAGEMENT COMMITTEE:

The Audit and Risk Management Committee comprises of the following Directors:

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

Subsequent to the financial year, Mr. Ajay Goel was appointed as a member w.e.f April 24, 2018 and Mr B.V Krishna Reddy ceased to be a member w.e.f July 01, 2018. The Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2018 and has recommended its adoption. In addition, the Committee has also reviewed unaudited quarterly results for June 30, 2017, September 30, 2017 and December 31, 2017, which were subjected to a Limited Review by the Statutory Auditors of the Company.

The terms of reference of the Audit and Risk Management Committee covers all the 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. Akshara B L, Company Secretary & Compliance Officer, acts as Secretary of the Committee.

During the financial year under review, five meetings of the Audit and Risk Management Committee were held i.e. on May 10, 2017, June 23, 2017, August 14, 2017 November 07, 2017 and February 12, 2018 and

## Corporate Governance Report (Contd.)

the gap between any two Audit and Risk Management Committee meetings did not exceed 120 days. The details of attendance by members of the Committee are as follows:

Name	No. of Meetings	Meetings attended
Mr. R. Krishnamurthy (Chairman)	5	5
Mr. B.V. Krishna Reddy	5	5
Ms. Junia Sebastian	5	4

### 4. NOMINATION AND REMUNERATION COMMITTEE

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

Ms. Junia Sebastian (Chairperson)	Independent Director
Ms. Mamta Sundara	Non-Executive Director
Mr. R. Krishnamurthy	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, two meetings of the Nomination and Remuneration Committee were held i.e. on August 14, 2017 and November 07, 2017, which were attended by Ms. Junia Sebastian, Ms. Mamta Sundara and Mr. R. Krishnamurthy.

#### **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 and his tenure of office ended on September 30, 2017. The Board of Directors at

## Corporate Governance Report (Contd.)

their meeting held on August 14, 2017 reappointed him as Managing Director for a further period of 2 years w.e.f. October 01, 2017 subject to approval by the shareholders at the ensuing Annual General Meeting. Accordingly, the resolutions proposing him to be appointed as Director and Managing Director are proposed at the Notice of the 25<sup>th</sup> Annual General Meeting to be held on September 21, 2018.

The remuneration paid to Mr. B.V. Krishna Reddy, Managing Director during the year ended March 31, 2018 is given in **Annexure 5**, 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.)
Ms. Mamta Sundara	Nil
Mr. Ajay Goel	Nil
Mr. Sanjeev Gupta	Nil
Mr. R. Krishnamurthy	3,35,000
Ms. Junia Sebastian	2,80,000

### 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.

## 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. Akshara B L, Company Secretary is the Compliance Officer.

The terms of reference of the Committee inter alia include specifically to look into the redressing of Shareholders Grievances like non-receipt of Balance Sheet, non-receipt of 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 have not received any complaints during the financial year 2017-18. Also there were no complaints relating to transfer of shares as on March 31, 2018.

## Corporate Governance Report (Contd.)

### Corporate Social Responsibility Committee

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

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

It is not mandatory to have the Corporate Social Responsibility (CSR) Committee pursuant to provisions of the Companies Act 2013. However, the Company is having a CSR Committee which did not meet during the year.

### 6. GENERAL MEETINGS

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

Financial Year ended	Date	Time	Venue
March 31, 2017	July 28, 2017	12.00 noon	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2016	September 26, 2016	12.00 noon	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
March 31, 2015	September 30, 2015	12.00 noon	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016

No Special Resolutions were passed by the Shareholders at the above three AGMs.

### 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.

There were no resolutions passed through postal ballot during the financial year 2017-18.

### 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 in the ordinary course of Business and are in the best interest of the Company.

The related party transactions entered by the Company during the financial year ended March 31, 2018 have been disclosed in the Notes to 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>.

## Corporate Governance Report (Contd.)

**(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 Exchanges, SEBI and other Statutory Authorities on all matters related to the capital market during, 2015-16, 2016-17 and 2017-18, 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/Vigil Mechanism:**

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

**(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 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 disclosed to all the Stock Exchanges, where the equity shares of the Company are listed. The results are normally published in “Business Standard” (English Daily) and “Nava Telangana” (Telugu Daily). The results are also displayed on the Company’s website [www.pioneerdistilleries.com](http://www.pioneerdistilleries.com). The news clause has been set up on the Company’s website as given above for disclosing news updates, if any.

The Company has designated an exclusive Email Id viz. [pdlinvestor.india@diageo.com](mailto:pdlinvestor.india@diageo.com) to enable the investors to post their grievances and monitor its redressal.

## Corporate Governance Report (Contd.)

### 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	Friday, September 21, 2018 at 12.30 pm at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
b)	Financial Year	April 01 to March 31
	First Quarterly Results	By August 30
	Second Quarterly Results	By November 09
	Third Quarterly Results	By February 06
	Audited Financial Results	By May 10
c)	Dividend payment date	NA
d)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: 1. BSE Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 2. NSE Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400 051

The Annual Listing fees for the financial year 2017-18 has been paid by the Company to the respective Stock Exchanges.

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 and Annexure C
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: <a href="mailto:info@vccilindia.com">info@vccilindia.com</a> Website: <a href="http://www.vccipl.com">www.vccipl.com</a>
j)	Share Transfer System	The powers to consider and approve share transfers / transmission / transposition / consolidation / subdivision etc. have been delegated to a Committee of Directors named Stakeholder Relationship Committee. The requirements under the SEBI Listing Regulations / Statutory regulations in this regard are being followed.
k)	Distribution of Shareholding	As per Annexure D



**Corporate Governance Report (Contd.)**

l)	De-materialization of shares (as on March 31, 2018)	<b>Depositories</b>	<b>Shares</b>	<b>% of Total Issued Capital</b>
		NSDL	1,19,76,091	89.03
		CDSL	11,52,416	8.57
		Total	1,31,28,507	97.60
m)	Outstanding GDRs/ADRs/ Warrants or any other instruments	NA		
n)	Commodity price risk or foreign exchange risk and hedging activities	NA		
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: <a href="mailto:info@vccilindia.com">info@vccilindia.com</a>  Website: <a href="http://www.vccipl.com">www.vccipl.com</a></p> <p>Investors may also write to the Company Secretary, Mr. Akshara B L, at the Registered Office of the Company at Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&amp;G2, Greenlands, Begumpet, Hyderabad 500 016  Tel No. +91 40 2970 3391, +91 80 3985 6905  Fax No. +91 80 3985 6862</p> <p>In compliance with the provisions of Regulation 46(2)(j) of the SEBI Listing Regulations, an exclusive email id, viz. <a href="mailto:pdlinvestor.india@diageo.com">pdlinvestor.india@diageo.com</a> has been designated for registering complaints by the Investors and its redressal, which has been displayed on the website of the Company <a href="http://www.pioneerdistilleries.com">www.pioneerdistilleries.com</a></p>		

**The following Non-Mandatory requirements have been adopted by your Company as specified under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:**

1	Separate post of Chairman & CEO	Mr. B.V. Krishna Reddy is the Managing Director while Mr. R Krishnamurthy is the Chairman, who is an Independent Director.
2	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

Date	High	Low	Close	Volume
Apr-17	169.00	137.00	141.95	69,306
May-17	150.05	128.00	141.00	71,218
Jun-17	253.90	138.00	206.55	5,38,291
Jul-17	234.70	196.25	221.60	43,473
Aug-17	241.50	185.50	193.50	43,339
Sep-17	197.00	171.00	182.30	39,761
Oct-17	242.00	173.00	238.85	85,759
Nov-17	238.85	185.00	197.00	75,532
Dec-17	239.95	182.00	206.05	1,09,647
Jan-18	232.75	192.60	198.00	1,40,708
Feb-18	219.65	170.00	189.40	27,420
Mar-18	201.00	160.00	168.55	33,209

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

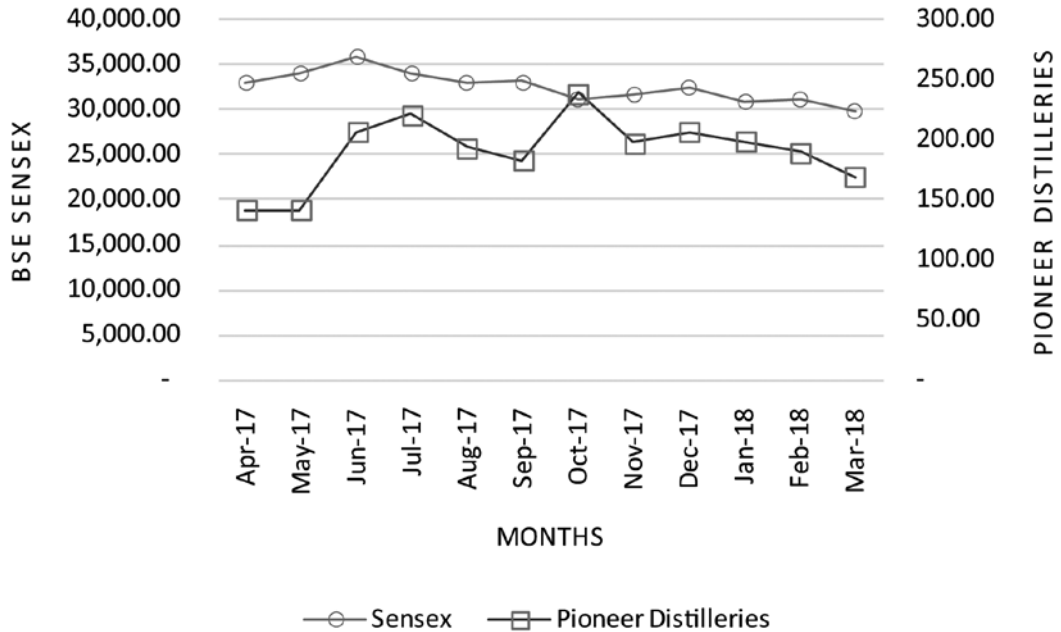
#### Pioneer Distilleries Limited – Monthly NSE

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume
Apr-17	168.80	132.10	141.25	2,19,411
May-17	150.90	127.35	139.00	3,42,051
Jun-17	254.40	137.25	205.75	28,87,593
Jul-17	234.00	192.00	221.35	1,32,939
Aug-17	241.70	187.00	194.25	1,19,765
Sep-17	198.85	167.50	180.35	99,984
Oct-17	243.00	172.10	238.70	3,38,504
Nov-17	243.70	182.00	191.95	3,16,368
Dec-17	222.00	180.00	207.10	4,44,404
Jan-18	234.00	193.00	197.35	7,47,987
Feb-18	205.00	172.00	188.60	1,06,903
Mar-18	199.00	157.05	172.55	1,53,702

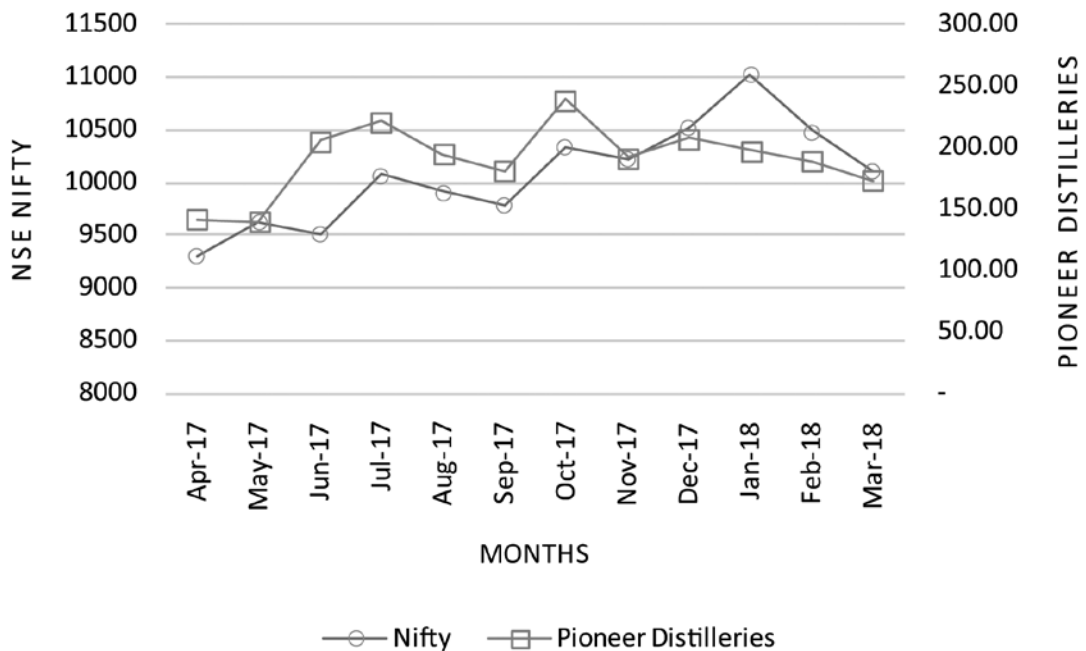
*[Source: This information is compiled from the data available from the website of NSE]*

## Corporate Governance Report (Contd.)

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



### ANNEXURE C: PIONEER DISTILLERIES LIMITED, SHARE PRICES COMPARED TO NSE NIFTY



## Corporate Governance Report (Contd.)

### ANNEXURE D: DISTRIBUTION OF SHAREHOLDING VALUEWISE (as on March 31, 2018)

Shareholding of nominal value		Shareholders		Share Amount	
Rs.		Number	% to Total	in Rs.	% to Total
(1)	(2)	(3)	(4)	(5)	(6)
Up to	- 5000	3,249	83.46	32,81,920	2.45
5001	- 10000	311	7.99	26,54,640	1.98
10001	- 20000	153	3.93	23,26,180	1.74
20001	- 30000	54	1.39	13,71,940	1.02
30001	- 40000	28	0.72	10,08,930	0.75
40001	- 50000	25	0.64	11,83,830	0.88
50001	- 100000	33	0.85	25,16,770	1.88
100001 and above		40	1.03	11,95,37,790	89.29
<b>Total</b>		<b>3,893</b>	<b>100</b>	<b>13,38,82,000</b>	<b>100</b>

### CATEGORYWISE

Category	No. of shares	% of Equity Capital
Promoter	1,00,41,150	75.00
Banks/FI/FII/MF/UTI/Trust/Central/State Government & Insurance Companies	1,00,000	0.75
Resident Body Corporate (including clearing members)	3,06,899	2.29
Resident Individual	17,76,523	13.27
NRI/OCB/ FCB and Foreign Nationals	11,29,454	8.44
IEPF Authority MCA	34,691	0.26
<b>Total</b>	<b>1,33,88,200</b>	<b>100.00</b>

## Corporate Governance Report (Contd.)

### CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members,  
Pioneer Distilleries Limited  
Hyderabad 500 016

I have examined the compliance of conditions of corporate governance, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by Pioneer Distilleries Limited (the Company) for the year ended on March 31, 2018.

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

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

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

Place : Bengaluru  
Date : July 30, 2018

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

## Corporate Governance Report (Contd.)

### CEO / CFO CERTIFICATE

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2018 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.

Place : Bengaluru  
Date : April 24, 2018

B.V. Krishna Reddy  
Managing Director

Sanjoy Sarkar  
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 (Code) of the Company has been displayed at the Company's website [www.pioneerdistilleries.com](http://www.pioneerdistilleries.com). All the members of the Board and the Senior Management personnel have affirmed compliance with the Code for the year ended March 31, 2018.

Place : Bengaluru  
Date : April 24, 2018

B.V. Krishna Reddy  
Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### ECONOMIC SCENARIO

**Global economy:** World growth strengthened in 2017 to 3.8% post a subdued 2016, with a notable rebound in global trade. The growth was driven by investment recovery in advanced economies, strong growth in emerging Asia, the upswing in emerging Europe and signs of recovery in several commodity exporters. Growth in advanced economies was led by a strong pick-up in investment spending. Emerging Market and Developing Economies grew on a stronger footing primarily supported by an acceleration in private consumption. Resurgent net exports and strong private consumption led to higher growth levels in China and India, respectively.

Global growth is expected to inch up to 3.9% both in 2018 and 2019, strengthened by strong momentum, favourable market sentiment, accommodative financial conditions, and expansionary fiscal policy in United States (US) which is expected to boost both domestic and international markets.

(Source: IMF Global Economic Outlook, April 2018)

**Indian economy:** The year under review witnessed a strong rebound in economic activity on the back of a turnaround in investment demand, acceleration in manufacturing, pick-up in capacity utilisation, strong activity in the services sector and a record agricultural harvest. As per the second advanced estimates issued by the Central Statistics Organisation (CSO), India's GDP at constant prices is estimated to have grown by 6.6% in the financial year 2017-18 as compared to 7.1% in the financial year 2016-17. The government's impetus on Make in India, investment in infrastructure & Smart Cities, rising disposable incomes, implementation of the Seventh Pay Commission, recovery in exports and lower inflation cumulatively contributed to growth. As per Harvard University report, India topped the list of the fastest growing economies in the world for the coming decade with growth expectations of 7.9% annually till 2026, ahead of China and US. The positive effects of Government's economic actions are also reflected in the fact that India was ranked 100th in 'Ease of Doing Business' ranking amongst 190 countries as per World Bank, jumping 30 positions from the previous year. The economic growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivize private investment. According to IMF, the Indian economy is expected to be the fastest growing major economy in the World with 7.4% growth in the financial year 2018-19 and 7.8% in the financial year 2019-20.

(Source: <https://timesofindia.indiatimes.com/business/india-business/ease-of-doing-business-india-jumps-30-notches-breaks-into-top-100/articleshow/61374673.cms>, <https://rightlog.in/2018/05/fastest-growing-economy-harvard-report-01/>)

### INDUSTRY OVERVIEW

India is one of the fastest growing alcobev markets in the World with an estimated 324.3 million cases sold in 2017. The various factors contributing to the growth in alcobev industry include improvement in standards of living, increased globalization with increasing number of Indians making foreign trips for jobs, holidays or education, higher exposure to different lifestyles and a growing culture of social drinking. Technology boom and increasing number of multinational company's expanding presence in India has led to increased disposable income and prevalence of Western culture of social drinking, which is boosting alcohol consumption. India is expected to be the third largest consumer economy as its consumption is expected to triple to US\$ 4 trillion by 2025, led by shift in consumer behaviour and expenditure pattern. With nearly 65% of population younger than 35 years, India is a young country with median age 27.9 in 2017. There exists tremendous opportunity to drive growth of alcobev industry on the back of its rising working-age population. The nation is expected to add almost 10-12 million people to its workforce every year over the next two decades with the working-age

## Management Discussion and Analysis Report (Contd.)

population crossing the 1 billion mark by 2030. The per capita consumption of alcohol in 2018 is estimated at 5.1 litres considerably lower than the regional average of 20.9 litres per capita amongst Asian countries.

(Source: <https://beerconnoisseur.com/articles/indian-beer-market-set-strong-growth-2018>; <https://economictimes.indiatimes.com/industry/cons-products/liquor/liquor-ban-2017-sales-in-low-spirits-valuations-soar/articleshow/62667737.cms>; Statista – India)

### INDIAN SPIRITS MARKET OVERVIEW

**Industry performance:** The alcobev industry in India has been growing at more than 12% CAGR for the decade starting 2001 making it one of the fastest growing markets in the World. However during 2017, the industry was facing challenging times which led to 2.7% decline in sales. The decline in 2017 was in part attributable to the Supreme Court judgement banning the sale of alcohol near highways, distribution changes in some states like in West Bengal, Chhattisgarh and Jharkhand.

**Market segmentation:** The Indian alcobev industry is segmented into IMFL (Indian Made Foreign Liquor), IMIL (Indian Made Indian Liquor), Wine, Beer and imported alcohol. The heavy import duty and taxes levied raised the prices of imported alcohol to a large extent. IMFL category accounts for almost 70% of the market. IMFL value sales grew 2% in the financial year under review. With consumer demand picking up, the industry is expecting mid-single-digit growth in the coming financial year.

Source: <https://economictimes.indiatimes.com/industry/cons-products/liquor/liquor-ban-2017-sales-in-low-spirits-valuations-soar/articleshow/62667737.cms>

**Consumption pattern:** Andhra Pradesh, Telangana, Kerala, Karnataka, Sikkim Haryana and Himachal Pradesh are amongst the largest consuming alcohol states in India. The most popular channel of alcohol sale is through stores. As per the World Health Organization, close to 30% Indians consume alcohol, out of which 4-13% are daily consumers. The minimum drinking age varies from 18 to 25 years across India, taking the total count of legal drinking age population to approximately 650 million as in 2018.

**Constantly changing regulatory environment:** Recently, Government in West Bengal, Chhattisgarh and Jharkhand modified liquor sales policy allowing the sale of liquor only through government-owned corporations/retail. The Supreme Court judgement pronounced last year banning the sale of alcohol near state and national highways led to the closure of about 30,000 liquor shops resulted in drop in demand. The court subsequently clarified its ruling, easing conditions of its earlier order helped most outlets to reopen. The impact of highway ban thus has substantially subsided.

**Growth drivers:** Indian alcobev industry holds huge growth potential given the low per capita consumption. Rapid urbanisation is expected to enhance disposable income, which is favourable for the growth of the industry. The revival in GDP will give a further fillip to alcohol sales as IMFL volumes have seen to surge 1.5x GDP when GDP growth revives. Favourable demographics with a median age of 27.9 years and growing social acceptability of liquor consumption are likely to bode well for the alcobev industry. The organised players stand to benefit from steady growth in the conversion from country liquor to IMFL given increasing health concerns associated with country liquor consumption. States like Tamil Nadu and Karnataka have banned the sale of country liquor primarily on account of rising death toll due to country liquor consumption.



## Management Discussion and Analysis Report (Contd.)

**Growing prevalence of premium liquor:** Rapid urbanisation is also leading to spur in aspirational values of people, leading to higher consumption of premium liquors. With more Indians travelling abroad, rising aspirations, favourable Govt policies towards imported liquor and higher disposable income consumers are upgrading towards Premium segments in the country. The rise in premiumisation is clearly reflective in the increased focus of the big players on semi-premium and Premium categories with an increase in launches and high marketing of these categories. Another trend which is gaining traction in the liquor space is the growing popularity of grain-based liquor as against traditionally popular molasses based liquor. As per industry estimates, the Premium and above segment is expected to grow at a faster pace than the overall industry at 14% CAGR over 2016-2021.

### REGULATORY SCENARIO IN INDIAN MARKET

Regulatory control is extremely tight in India with both central and state governments imposing a slew of restrictions on production, movement and sale of liquor. Additionally, alcohol also falls under the purview of national laws and regulatory bodies, such as the Food Safety and Standards Authority of India (FSSAI). Also, direct advertising of liquor is banned in India.

Prohibitively high inter-state duties compel national liquor players to set-up owned or contract manufacturing setups in every state. Licenses are required to produce, bottle, store, distribute or retail all liquor products. Distribution is also highly controlled, both at the wholesale and retail levels. In states with government control, pricing action is based on government notifications. In states where retailing is controlled by the state government, there is a specified quota that each player can sell, capping potential to increase market share. These regulations make operations difficult for players.

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

As one of Company's primary product Molasses based ENA is out of the purview of GST while the primary raw material Molasses is a part of GST, input credit offset is not available resulting in increase in the cost of operations. Your company has been working together to put in place a robust mitigation program to reduce the adverse impact on its Operations

- **Price control over material:**

The benign raw material pricing led to margin improvement during the year.

### 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, 2017 to March 31, 2018 has been of the order of 91.80 lakh bulk litres (LBL) and production of Grain based ENA (GENA) 149.63 LBL.
- (ii) **Absolute Alcohol (Ethanol):** Production of Absolute Alcohol during the financial year April 01, 2017 to March 31, 2018 - Nil.
- (iii) **Malt Spirit:** Production of Malt Spirits during the financial year April 01, 2017 to March 31, 2018 has been of the order of 28.03 LBL. The Company has set-up a maturation plant and the malt spirit under maturation as of March 31, 2018 is 3.48 LBL. The Spent grain (Cattle feed) production in Malt Plant is 6,453 MT.
- (iv) **IMFL Bottling:** 13.81 Lacs Cases.

## Management Discussion and Analysis Report (Contd.)

- (v) **CO<sub>2</sub>**: Production of Carbon-di-Oxide Dry Ice and Gas during the financial year April 01, 2017 to March 31, 2018 has been of the order of 2,340.84 MT.
- (vi) **Special Denatured Spirit (SDS)**: Production of SDS during the financial year April 01, 2017 to March 31, 2018 has been of the order of 2.19 LBL.
- (vii) **Distillers Wet Grain Soluble (DWGS) and Distillers Dry Grain Soluble (DDGS)**: Production of DWGS during the financial year April 01, 2017 to March 31, 2018 has been of the order of 1,566.68 MT. Production of DDGS during the financial year April 01, 2017 to March 31, 2018 has been of the order of 3,301.81 MT.

## BUSINESS ANALYSIS

### Company overview

Pioneer Distilleries Limited (PDL) is a subsidiary of United Spirits Limited (USL), the largest spirits manufacturing company in India and is a part of Diageo Group, global leader in beverage alcohol with an outstanding portfolio of brands across spirits, beer and wine categories. PDL is a bulk spirits supplier and bottler to USL. During the financial year 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 Liters Per Day (KLPD) Extra Neutral Alcohol (ENA) manufacturing facility comprising of 100 KLPD of Molasses based ENA and 60 KLPD of Grain based ENA, 12 KLPD Fresh Malt Spirit and 2 Lac cases per month bottling facility at Balapur Village, Dharmabad Taluk, Nanded District, Maharashtra. The other products of the Company are Special Denatured Spirit, commercial grade Carbon-di-Oxide and Distillery Dry Grain Soluble (DDGS) as a by-product of the process. 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.

## 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 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 have invested around Rs. 200 crores to enhance production, productivity and efficiency. These investments will in the forthcoming years help in achieving cost reduction, enhance quality, improve safety and reduces carbon foot print. The infrastructure of plant has been improved to meet global manufacturing standards.

The bulk alcohol division is the backbone of your company and supplies high quality spirits to USL and its business partners, ensuring a sustainable competitive advantage. Your Company plans to adopt various go-to-market strategies to expand external customer base. Over the next couple of years, your company plans to enhance its capacity utilisation to cover up the fixed costs and achieve operational profits. Malt Spirit

## Management Discussion and Analysis Report (Contd.)

Maturation facility has been commissioned during the year and the company has started maturing a portion of its productions. This would enhance the price realisation in future, though there would be temporary halt in sales. Your company has bottling contract with USL to manufacture their flagship brands for supplies in the state of Maharashtra.

### Strengths

- **Product portfolio and diversity:** The Company's product portfolio extends across GENA, MENA, Fresh Malt Spirit and Matured Malt Spirit and IMFL Bottling.
- **People Power:** The Company's success is led by an empowered and committed team, who are partnering 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.

### 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. IMFL category accounts for almost 70% of the Indian Alco-Bev market. Increase in the demand for IMFL year on year has created opportunities for distilleries to produce more and more to meet the demand.

### Threats

Non-availability of grains due to less production of crop will push the grain prices up, which in turn will affect the margins for GENA and Malt spirit. Similarly, non-availability of Molasses due to government encouraging production of 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. Parent company, USL continues to be the sole/Major buyer for Company's product and any change in the parent company procurement policy could result in disruption in your Company's ability to sell, other than the parent Company.

Any drastic change in the policies of the Governments/adverse decision of any other Statutory Authorities.

The Company believes that in order to be competitive and sustainable, it has to focus on efficiency of the plant by upgrading to modern technology. 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.

## **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 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. 13,499.98 Lakhs for the financial year ended March 31, 2018 against the turnover of Rs. 9,659.60 Lakhs over the previous year. This growth was led by commissioning of several capital expansion projects. The Profit before tax of your Company during the financial year amounted to Rs. 10,181.63 Lakhs driven by accrual of subsidy of Rs. 16,685.55 Lakhs.

The working capital requirement of the Company is financed by the Deutsche Bank, Bangalore.

### **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

Your Company has in place well-defined and adequately documented systems, policies, procedures and guidelines that have been reviewed by the Board. The company adhere the laws, rules and statutes of the land. It ensures 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 Company has implemented internal financial controls in a phased manner and it has been audited by an external independent audit firm. The top management and the Audit Committee of the Board of Directors regularly review the findings, recommendations and functions of Internal Audit team and Internal Financial Control Auditor. Statutory Auditors have also confirmed the same in their audit report on the Financial Statements for the year.

### **HUMAN RESOURCES**

The company has a family of 170 (permanent employees at its plant for the year ended March 31, 2018). The Company believes that people are the important assets and hence it is committed to create an open environment and upskilling which encourages the 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.

Your Company is now trying to focus on multi-skills to improve the productivity of the employees by giving trainings and changing roles. Company is also training the employees on Lean Six Sigma and 5s. Performance appraisals take place every six months, giving every employee sufficient time to meet his/ her role requirements in the next six months. There has been no loss of production at the Company's manufacturing unit due to the relationship that the company has maintained with the employees.

### **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.

**Report of the Directors (Contd.)****Annexure 1**

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			
1	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	Name of the Director/KMP	Designation	Ratio of Median	% Increase
		B.V. Krishna Reddy	Managing Director	27:1	10.5
		Sanjoy Sarkar <sup>#</sup>	CFO	NA <sup>#</sup>	NA <sup>#</sup>
2	Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Akshara B L <sup>#</sup>	Company Secretary	NA <sup>#</sup>	NA <sup>#</sup>
		# Employees are on the payroll of the United Spirits Limited (Holding company) and their salaries have not been recharged to the Company.			
3	Percentage increase in the median remuneration of employees in the financial year	9.8%			
4	Number of permanent employees on the rolls of company	There were 170 employees as on March 31, 2018			
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	9.92% average increase for non-managerial personnel. The salary increase for managerial personnel is 9.36%. 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.)

### Information as required under rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

S. No.	Emp Name	Designation	Age	Amount (Rs)	Qualification	Experience (Years)	Date of Joining (MM - DD-YY)	Particulars of Previous Employment
1	Pappu Kumar Sharma	Sr. Manager – Projects	47	1,715,523	Dip. Civil Engg.	17	31-Dec-11	Asst. Manager – Civil, Dalmia Sugar Mills
2	A. Murali Krishna Srinivas	Asst. General Manager	46	1,485,000	B. Tech.	21	1-Apr-12	Asst. Manager – Maintenance, Riddhi Siddhi Gluco Biols Ltd.
3	Prasanna Kumar Mishra	Sr. Manager – Finance & Accounts	44	1,737,131	B.Com, MBA	19	26-Oct-12	Asst. Manager – Accounts, Harita Fehrer Limited.
4	P Hare Ram <sup>#</sup>	Head -HR	53	3,300,000	B.Com, LLB, PGHRM	30	12-May-17	General Manager HR & Admin, Gayatri Projects Limited.
5	Praveen Kumar	DGM – Mfg	43	3,530,116	M.Sc.	20	17-Mar-15	Asst. General Manager, United Spirits limited
6	Ashok J. Tahade	DGM-Operation	50	4,538,652	B.Sc. DIFAT, DEPC	27	16-Mar-11	General Manager, United Spirits Limited.
7	B.V Krishna Reddy	Managing Director	51	8,508,548	B.Tech, M.Tech	27	01-Oct-15	General Manager United Spirits Limited.
8	Varre Ramarao Chakrapani	Procurement Head	50	2,287,809	B.E. (Mech)	27	18-Jul-16	Sr. Manager – Purchase, ETA General pvt Ltd.
9	Saumya Ranjan Sahoo	Unit Finance Head	39	2,762,497	B.Com, C.A.	12	16-03-17	Manager Contract & Compliance (Finance), TATA STEEL
10	Kalpana Sharma <sup>*</sup>	Sr. Manager – Finance	35	3,000,000	M.Com, C.A.	14	6-Mar-17	Manager Product Costing, Alcon laboratories Ltd

<sup>#</sup> Ceased to be in the employment of the company w.e.f April 30, 2018

<sup>\*</sup> Ceased to be in the employment of the company w.e.f May 24, 2018

- Notes** – 1) None of the above employees hold any equity shares in the Company.  
2) None of the employees are relatives of any Director or Manager of the Company.

## Report of the Directors (Contd.)

### Annexure 2

#### Form No. MR-3

#### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2018

*[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**  
Hyderabad

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, 2018, 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, 2018 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;



## Report of the Directors (*Contd.*)

- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements Regulations, 2009 (No instances for compliance requirements during the year);
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, (No instances for compliance requirements during the year); and
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- vi. 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; and
  - 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 Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., as mentioned above wherever applicable except for few procedural gaps for which the corrective measures are being taken by the Company.

I further report that

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

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



## **Report of the Directors (*Contd.*)**

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

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

I further report that during the audit period there were no specific actions having bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc referred to above.

Place : Bengaluru  
Date : July 30, 2018

**Sudhir Vishnupant Hulyalkar**  
Company Secretary in Practice  
FCS No.: 6040  
C. P. No. : 6137

**Report of the Directors (Contd.)****Annexure 3****FORM NO. 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, 2018, 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, 2018 and continuing are as follows:

**Name of the related party:** United Spirits Limited

**Nature of relationship:** Holding Company

<b>Nature of Contract/ arrangements/ transaction</b>	<b>Justification for entering into the Contract or arrangement or transactions</b>	<b>Duration of the contract</b>	<b>Date of approval by the Board</b>	<b>Amount paid as advance (Rs)</b>
Sale of Extra Neutral Alcohol, Indian Made Foreign Liquor, Malt Spirit and Others (Rs. 4,577,183,396)	Arm's length and in the ordinary course of business	Till March 2019	02/08/2016	Nil
Corporate Guarantee to Bank on behalf of PDL* (Rs. 1,000,000,000)	To secure borrowings from Banks	NA	23/06/2017	Nil

\*withdrawn before 31 March 2018

By Authority of the Board

Bengaluru  
July 30, 2018

**R Krishnamurthy**  
Chairman

## Report of the Directors (Contd.)

### Annexure 4

#### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS 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:

- Company is running on 100% Green power.
- Automatic Power Factor Correction panels installed to increase power factor to 0.99 which led to reduction in Electrical Energy and receipt of incentive from Maharashtra State Electricity Board (MSEB).

The plans implemented to save energy are:

- Company is now self-sustained on captive power.
- Installed and Modernized the (Molasses based ENA) MENA plant from Wash to RS, to Wash to (Extra Neutral Alcohol) ENA with consumption of minimum steam ( 4 KG/BL of spirit)
- Installed Raw spent wash evaporation plant to concentrate the MENA effluent upto 55-60% solid and same was utilized in incineration boiler as a fuel
- Installed condensate policing unit for recycling 90% water to process.
- Installed 52 TPH Incineration boiler and used to consume MENA effluent as a fuel and to achieve ZLD
- Installed 6.45 MW turbine and the same was used to power the plant using steam.
- DDGS Dryer is being installed for enhancing the value of by-product recovery in Grain Plant which will reduce the cost of production.
- Installed two new IMFL bottling lines to reach production of 1.5 lacs cases/month.
- Installed Co2 plant for MENA to reduce the environmental impact and also to increase the revenue from 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 their quality
4. Expenditure on R & D : Nil

###### b) Technology absorption, adaptation and innovation

The Company has installed new technology in MENA with minimum steam consumption of 4 Kg/Lit of alcohol including evaporation. It is the lowest steam consumption in India for molasses distillation.

## Report of the Directors (*Contd.*)

### Foreign Exchange Earnings and Outgo:

- a. Earnings in Foreign Currency
- b. Imports / Expenditure in Foreign Currency

**2017-18**

Nil

Nil

**2016-17**

Nil

Nil

By Authority of the Board

Bengaluru  
July 30, 2018

**R Krishnamurthy**  
Chairman

**Report of the Directors (Contd.)****Annexure 5****FORM MGT 9****EXTRACT OF ANNUAL RETURN****As on financial year ended on 31.03.2018**

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

**I. REGISTRATION AND OTHER DETAILS:**

CIN	L24116TG1992PLC055108
Registration date	25/11/1992
Name of the Company	Pioneer Distilleries Limited
Category/Sub-Category of the Company	Company having share capital
Address of the Registered office and contact details	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&G2, Greenlands, Begumpet, Hyderabad 500 016 Tel: +91 40 2970 3391, +91 80 3964 2207; Fax: +91 80 3985 6862
Whether listed company	Yes
Name, Address and Contact details of Registrar and Transfer Agent	Venture Capital and Corporate Investments Private Limited 12-10-167, Bharat Nagar, Hyderabad 500 018 Tel: (040) 2381 8475 / 2381 8476 / 2386 8023, Fax: (040) 2386 8024 Email: <a href="mailto:info@vccilindia.com">info@vccilindia.com</a> , Website: <a href="http://www.vccilindia.com">www.vccilindia.com</a>

**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	11019	60
2	Malt Spirits	11032	27

## 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, Bengaluru 560 001	L01551KA1999PLC024991	Holding Company	75	2(46)

### IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK UP AS % TO TOTAL EQUITY)

#### (i) Category wise Shareholding

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	
<b>A. Promoters</b>									
(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									
<b>SUB TOTAL: (A) (1)</b>	<b>10041150</b>	<b>-</b>	<b>10041150</b>	<b>75</b>	<b>10041150</b>	<b>-</b>	<b>10041150</b>	<b>75</b>	<b>Nil</b>
<b>(2) Foreign</b>									
a) NRI- Individuals									
b) Other - Individuals									
c) Bodies Corp.									
d) Banks/FI									
e) Any other...									
<b>SUB TOTAL (A) (2)</b>									
<b>Total Shareholding of Promoter (A)= (A)(1)+(A)(2)</b>	<b>10041150</b>	<b>-</b>	<b>10041150</b>	<b>75</b>	<b>10041150</b>	<b>-</b>	<b>10041150</b>	<b>75</b>	<b>Nil</b>

**Report of the Directors (Contd.)**

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	
<b>B. PUBLIC SHAREHOLDING</b>									
<b>(1) Institutions</b>									
a) Mutual Funds									
b) Banks/FI	4710	-	4710	0.04	0	-	0	0	-0.04
c) Central Govt.									
d) State Govt.									
e) Venture Capital Fund									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
<b>SUB TOTAL (B)(1):</b>	<b>4710</b>	<b>-</b>	<b>4710</b>	<b>0.04</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-0.04</b>
<b>(2) Non- Institutions</b>									
a) Bodies corporate									
i) Indian	172045		172045	1.29	237899	0	237899	1.78	0.5
ii) Overseas	-	100000	100000	0.75	-	100000	100000	0.75	Nil
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.2 lakhs	1342162	45951	1388113	10.37	1050691	40851	1091542	8.15	-0.75
ii) Individuals shareholders holding nominal share capital in excess of Rs.2 lakhs	450643	0	450643	3.37	684981	0	684981	5.12	0.29
c) Others (specify)									
Clearing Member	40569	-	40569	0.3	68483	0	68483	0.51	-0.20
Foreign Nationals									
Non Resident Indians	317628	873342	1190970	8.89	1010612	118842	1129454	8.44	-0.46
IEPF Authority	-		-	-	34691		34691	0.26	-0.1
<b>SUB TOTAL:(B) (2)</b>	<b>2323047</b>	<b>1019293</b>	<b>3342340</b>	<b>24.97</b>	<b>3087357</b>	<b>259693</b>	<b>3347050</b>	<b>25</b>	<b>-0.04</b>
<b>Total Public Shareholding (B) = (B) (1) + (B) (2)</b>	<b>2327757</b>	<b>1019293</b>	<b>3347050</b>	<b>25</b>	<b>3087357</b>	<b>259693</b>	<b>3347050</b>	<b>25</b>	<b>-0.04</b>
C. Shares held by Custodian for GDRs & ADRs									
<b>Grand Total (A+B+C)</b>	<b>12368907</b>	<b>1019293</b>	<b>13388200</b>	<b>100.00</b>	<b>13128507</b>	<b>259693</b>	<b>13388200</b>	<b>100</b>	<b>-0.04</b>

## Report of the Directors (Contd.)

### (ii) Shareholding of Promoters

S. No.	Promoter's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding 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 Promoter's Shareholding - Nil

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

Sl 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	G.V.V KIRAN				
	At the beginning of the year	1,20,239	0.9%	120239	0.9%
	Sale on 05-5-2017	-419	0%	119820	0.89%
	Sale on 12-5-2017	-187	0%	119633	0.89%
	Sale on 16-6-2017	-12425	-0.09%	107208	0.8%
	Purchase on 30-6-2017	5703	0.04%	112911	0.84%
	Sale on 18-8-2017	-500	0%	112411	0.84%
	Sale on 25-8-2017	-2627	-0.02%	109784	0.82%
	Sale on 01-9-2017	-934	-0.01%	108850	0.81%
	Sale on 08-9-2017	-39	0%	108811	0.81%
	Sale on 15-9-2017	-1119	-0.01%	107692	0.8%
	Sale on 22-9-2017	-409	0%	107283	0.8%
	Sale on 30-9-2017	-1385	-0.01%	105898	0.79%
	Purchase on 24-11-2017	5473	0.04%	111371	0.83%
	At the end of the year	0	0%	111371	0.83%
2	PHILIP THOMBRA ANTONY				
	At the beginning of the year	0	0%	179079	0.84%
	Purchase on 07-4-2017	1338	0.01%	180417	0.85%
	Sale on 07-4-2017	-190	0%	180227	0.49%
	Purchase on 14-4-2017	380	0%	180607	0.86%
	Sale on 14-4-2017	-1688	-0.01%	178919	0.48%
	Sale on 21-4-2017	-4149	-0.03%	174770	0.83%
	Sale on 28-4-2017	-3353	-0.03%	171417	0.8%
	Sale on 05-5-2017	-639	0%	170778	0.8%
	Sale on 05-5-2017	-550	0%	170228	0.47%
	Sale on 12-5-2017	-600	0%	169628	0.79%
	Sale on 19-5-2017	-2716	-0.02%	166912	0.77%
	Purchase on 02-6-2017	3221	0.02%	170133	0.5%
	Purchase on 09-6-2017	451	0%	170584	0.5%
	Sale on 16-6-2017	-3609	-0.03%	166975	0.47%
	Purchase on 30-6-2017	486	0%	167461	0.48%



## Report of the Directors (Contd.)

Sl 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
	Purchase on 07-7-2017	525	0%	167986	0.48%
	Purchase on 11-8-2017	748	0.01%	168734	0.49%
	Purchase on 18-8-2017	494	0%	169228	0.49%
	Purchase on 25-8-2017	2346	0.02%	171574	0.79%
	Purchase on 08-9-2017	493	0%	172067	0.79%
	Purchase on 08-9-2017	2102	0.02%	174169	0.51%
	Purchase on 15-9-2017	5147	0.04%	179316	0.55%
	Sale on 22-9-2017	-2765	-0.02%	176551	0.53%
	Purchase on 30-9-2017	1925	0.01%	178476	0.54%
	Purchase on 06-10-2017	248	0%	178724	0.54%
	Purchase on 13-10-2017	300	0%	179024	0.8%
	Purchase on 13-10-2017	2300	0.02%	181324	0.56%
	Purchase on 20-10-2017	1567	0.01%	182891	0.57%
	Purchase on 27-10-2017	200	0%	183091	0.8%
	Sale on 31-10-2017	-1000	-0.01%	182091	0.56%
	Sale on 03-11-2017	-4200	-0.03%	177891	0.53%
	Purchase on 10-11-2017	200	0%	178091	0.8%
	Purchase on 10-11-2017	972	0.01%	179063	0.54%
	Purchase on 17-11-2017	1000	0.01%	180063	0.55%
	Purchase on 24-11-2017	3816	0.03%	183879	0.57%
	Purchase on 08-12-2017	1218	0.01%	185097	0.81%
	Purchase on 08-12-2017	5382	0.04%	190479	0.62%
	Sale on 15-12-2017	-796	-0.01%	189683	0.8%
	Purchase on 15-12-2017	1500	0.01%	191183	0.63%
	Sale on 22-12-2017	-641	0%	190542	0.62%
	Purchase on 05-1-2018	1700	0.01%	192242	0.63%
	Sale on 12-1-2018	-1500	-0.01%	190742	0.79%
	Sale on 12-1-2018	-585	0%	190157	0.63%
	Purchase on 26-1-2018	400	0%	190557	0.79%
	Purchase on 09-2-2018	1664	0.01%	192221	0.64%
	Purchase on 31-3-2018	1976	0.01%	194197	0.81%
	At the end of the year	4536	0.03%	198733	0.68%
3	SELLAPPAN SIVANESAN				
	At the beginning of the year	0	0%	70028	0.52%
	Purchase on 30-9-17	8780	0.07%	78808	0.59%
	Purchase on 27-10-2017	7	0%	78815	0.59%
	Purchase on 22-12-2017	5600	0.04%	84415	0.63%
	Purchase on 29-12-2017	6917	0.05%	91332	0.68%
	At the end of the year	0	0%	91332	0.68%

**Report of the Directors (Contd.)**

Sl 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
4	AMIT NARENDRA VIRA				
	At the beginning of the year	0	0%	82282	0.61%
	Sale on 16-6-17	-10	0%	82272	0.61%
	Sale on 23-6-17	-5	0%	82267	0.61%
	Purchase on 4-8-17	107	0%	82374	0.62%
	Purchase on 11-8-17	20	0%	82394	0.62%
	Sale on 18-8-17	-800	-0.01%	81594	0.61%
	Purchase on 17-11-2017	100	0%	81694	0.61%
	Sale on 24-11-2017	-10709	-0.08%	70985	0.53%
	Sale on 8-12-17	-6134	-0.05%	64851	0.48%
	Sale on 29-12-2017	-2874	-0.02%	61977	0.46%
	Sale on 5-1-18	-1000	-0.01%	60977	0.46%
	Sale on 12-1-18	-4061	-0.03%	56916	0.43%
	At the end of the year	0	0%	56916	0.43%
5	EQUITY INTELLIGENCE INDIA PRIVATE LIMITED				
	At the beginning of the year	0	0%	0	0%
	Purchase on 3-11-2017	50000	0.37%	50000	0.37%
	At the end of the year	0	0%	50000	0.37%
6	PRAVEEN GOEL				
	At the beginning of the year	0	0%	51672	0.39%
	Sale on 17-11-2017	-2000	-0.01%	49672	0.37%
	Sale on 5-1-2018	-817	-0.01%	48855	0.36%
	Sale on 9-2-2018	-983	-0.01%	47872	0.36%
	At the end of the year	0	0%	47872	0.36%
7	MEDICI HOLDINGS LTD				
	At the beginning of the year	0	0%	100000	0.75%
	At the end of the year	0	0%	100000	0.75%
8	BALKRISHNA RAMJI HARIBHAI DEVANI				
	At the beginning of the year	0	0%	516900	0.0386
	Sale on 31-10-2017	-7000	-0.05%	509900	3.81%
	Sale on 17-11-2017	-1000	-0.01%	508900	3.8%
	Sale on 24-11-2017	-4	0%	508896	3.8%
	Sale on 22-12-2017	-11996	-0.09%	496900	3.71%
	Purchase on 22-12-2017	210600	1.57%	707500	1.57%
	Sale on 29-12-2017	-14090	-0.11%	693410	3.61%
	Sale on 05-1-2018	-14250	-0.11%	679160	3.5%
	Sale on 12-1-2018	-12578	-0.09%	666582	3.41%
	Sale on 26-1-2018	-1700	-0.01%	664882	3.39%
	At the end of the year	0	0%	664882	3.39%

**Report of the Directors (Contd.)**

Sl 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
9	GOKUL VANIJYA PRIVATE LIMITED				
	At the beginning of the year	0	0%	0	0%
	Purchase on 28-4-2017	7000	0.05	7000	0.05
	Sale on 02-6-2017	-3324	-0.02	3676	0.03
	Purchase on 09-6-2017	16000	0.12	19676	0.15
	Purchase on 16-6-2017	9824	0.07	29500	0.22
	Purchase on 23-6-2017	2000	0.01	31500	0.24
	Purchase on 30-6-2017	11000	0.08	42500	0.32
	Purchase on 14-7-2017	1300	0.01	43800	0.33
	Purchase on 21-7-2017	2000	0.01	45800	0.34
	Purchase on 28-7-2017	1500	0.01	47300	0.35
	Purchase on 04-8-2017	500	0.00	47800	0.36
	Purchase on 11-8-2017	1500	0.01	49300	0.37
	Purchase on 18-8-2017	2373	0.02	51673	0.39
	Purchase on 25-8-2017	1072	0.01	52745	0.39
	Purchase on 01-9-2017	633	0.00	53378	0.40
	Sale on 08-9-2017	-2728	-0.02	50650	0.38
	Sale on 15-9-2017	-62	0.00	50588	0.38
	Sale on 30-9-2017	-3685	-0.03	46903	0.35
	Purchase on 06-10-2017	600	0.00	47503	0.35
	Sale on 27-10-2017	-503	0.00	47000	0.35
	Sale on 10-11-2017	-10000	-0.07	37000	0.28
	Purchase on 24-11-2017	5000	0.04	42000	0.31
	Purchase on 22-12-2017	2000	0.01	44000	0.33
	Purchase on 29-12-2017	4521	0.03	48521	0.36
	Purchase on 05-1-2018	3679	0.03	52200	0.39
	Purchase on 12-1-2018	500	0.00	52700	0.39
	At the end of the year	-5000	-0.04	47700	0.36
10	BIIPIKABEN B PATEL AND BHARATBHAI RAMANBHAI PATEL				
	At the beginning of the year	0	0.00	33796	0.25
	Purchase on 07-4-2017	119	0.00	33915	0.25
	Purchase on 21-4-2017	81	0.00	33996	0.25
	Purchase on 28-4-2017	1500	0.01	35496	0.27
	Sale on 16-6-2017	-5000	-0.04	30496	0.23
	Purchase on 23-6-2017	2750	0.02	33246	0.25
	Purchase on 25-8-2017	500	0.00	35246	0.26
	Purchase on 01-9-2017	500	0.00	35746	0.27
	Purchase on 08-9-2017	500	0.00	36246	0.27
	Purchase on 15-9-2017	1000	0.01	37246	0.28
	Purchase on 22-9-2017	250	0.00	37496	0.28

**Report of the Directors (Contd.)**

Sl 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
	Purchase on 30-9-2017	250	0.00	37746	0.28
	Purchase on 06-10-2017	500	0.00	38246	0.29
	Purchase on 20-10-2017	750	0.01	38996	0.29
	Purchase on 27-10-2017	1000	0.01	39996	0.30
	Purchase on 10-11-2017	402	0.00	40398	0.30
	Purchase on 17-11-2017	1500	0.01	41898	0.31
	Purchase on 24-11-2017	98	0.00	41996	0.31
	Purchase on 08-12-2017	250	0.00	42246	0.32
	Purchase on 15-12-2017	750	0.01	42996	0.32
	Purchase on 22-12-2017	589	0.00	43585	0.33
	Purchase on 26-1-2018	1911	0.01	45496	0.34
	Purchase on 09-2-2018	1064	0.01	46560	0.35
	Purchase on 31-3-2018	1000	0.01	47560	0.36

**(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 deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
(i) Principal Amount	0	2,337,587,596	16,250,000	2,353,837,596
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	0	645,179,597	0	645,179,597
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>2,982,767,192</b>	<b>16,250,000</b>	<b>2,999,017,192</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	0	1,688,833,495	(7,460,050)	1,681,373,445
Reduction	0	(828,518,703)	0	(828,518,703)
<b>Net Change</b>	<b>0</b>	<b>860,314,792</b>	<b>(7,460,050)</b>	<b>852,854,743</b>
<b>Indebtedness at the end of the financial year</b>				
(i) Principal Amount	0	3,088,235,959	8,789,950	3,097,025,909
(ii) Interest due but not paid	0	0	0	0
(iii) Interest accrued but not due	0	754,846,026	0	754,846,026
<b>Total (i+ii+iii)</b>	<b>0</b>	<b>3,843,081,984</b>	<b>8,789,950</b>	<b>3,851,871,935</b>

## Report of the Directors (Contd.)

### VI. Remuneration of Directors and Key Managerial Personnel

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

Sl. 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	8,063,548	8,063,548
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	445,000	445,000
	(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	-	-
5	Others	-	-
	Total (A)	8,508,548	8,508,548
	Ceiling as per the Act @ 5% for 1 Executive Director or limit as per Schedule V, whichever is higher		57,674,916

#### B. Remuneration to other directors

	Names of Directors		Total (in Rs)
Independent Directors	Mr. R. Krishnamurthy	Ms. Junia Sebastian	
Fee for attending board and committee meetings	3,35,000	2,80,000	6,15,000
Commission	-	-	-
Others, (Please specify)	-	-	-
Total Managerial Remuneration	3,35,000	2,80,000	6,15,000
Ceiling as per the Act @1% for all the Non-Executive Directors (not applicable as no payment other than sitting fees has been made)	Not Applicable		

## Report of the Directors (Contd.)

### C. Remuneration to Key Managerial Personnel other than MD / Manager /Whole time Director (in Rs)

S. No.	Particulars of Remuneration	Akshara B L <sup>#</sup> (Company Secretary)	Sanjoy Sarkar <sup>#</sup> (CFO)	Total
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NA <sup>#</sup>	NA <sup>#</sup>	NA
	(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	-	-	-
5	Others	-	-	-
	Total (A)	NA	NA	NA

# Employees are on the payroll of the United Spirits Limited (Holding company) and their salaries have not been recharged to the companies.

### VII. Penalties / Punishment/ Compounding of Offences:

There has been no penalty or punishment under the Companies Act 2013 for the year ended March 31, 2018.

Type	Section of the Companies Act	Brief Description	Details of Compounding fees imposed	Authority	Appeal made, if any
COMPANY					
Penalty			None		
Punishment					
Compounding					
DIRECTORS					
Penalty			None		
Punishment					
Compounding					
OTHER OFFICERS IN DEFAULT					
Penalty			None		
Punishment					
Compounding					

By Authority of the Board

July 30, 2018  
Bengaluru

**Krishnamurthy**  
Chairman

## Independent Auditors' Report

### TO THE MEMBERS OF PIONEER DISTILLERIES LIMITED

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

1. We have audited the accompanying financial statements of Pioneer Distilleries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Ind AS Financial Statements

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

#### Auditors' Responsibility

3. Our responsibility is to express an opinion on these Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating

## **Independent Auditors' Report (Contd.)**

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 Ind AS financial statements.

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

### **Opinion**

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

### **Other Matter**

9. The Ind AS financial statements of the Company for the year ended March 31, 2017, were audited by another firm of chartered accountants under the Companies Act, 2013 who, vide their report dated May 10, 2017, expressed an unmodified opinion on those financial statements. Our opinion is not qualified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.
11. 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 (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.



**Independent Auditors' Report (Contd.)**

- (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
  - i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2018 on its financial position in its Ind AS financial statements – Refer Note 27;
  - ii. The Company has long-term contracts as at March 31, 2018 for which there were no material foreseeable losses. The Company does not have any derivative contracts as at March 31, 2018.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018.
  - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

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

**Gautam Dharamshi**  
 Partner  
 Membership Number: 042393

Bangalore  
 April 24, 2018

## **Annexure A to Independent Auditors' Report**

**Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Pioneer Distilleries Limited on the financial statements as of and for the year ended March 31, 2018.**

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

1. We have audited the internal financial controls over financial reporting of Pioneer Distilleries Limited ("the Company") as of March 31, 2018 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**

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

### **Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

## **Annexure A to Independent Auditors' Report (Contd.)**

### **Meaning of Internal Financial Controls Over Financial Reporting**

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

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

**Gautam Dharamshi**  
Partner  
Membership Number: 042393

Bangalore  
April 24, 2018

## Annexure B to Independent Auditors' Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Pioneer Distilleries Limited on the financial statements as of and for the year ended March 31, 2018.

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.  
(b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies have been noticed on such verification. In our opinion, the frequency of verification is reasonable.  
(c) The title deeds of immovable properties, as disclosed in Note 2 on Property, plant and equipment to the financial statements, are held in the name of the Company.
- ii. The physical verification of inventory excluding stocks with third parties have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. 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. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of goods and service tax from July 1, 2017, employee state insurance, provident fund, service tax, krishi kalyan cess and swachh bharat cess though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including tax deducted at source, income tax, duty of customs, duty of excise, sales tax, state value added tax, and other material statutory dues, as applicable, with the appropriate authorities.  
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of service-tax, duty of customs, duty of excise and goods and service tax which have not been deposited on account of any dispute. The particulars of dues of income tax, sales tax and value added tax, as at March 31, 2018 which have not been deposited on account of a dispute, are as follows:

**Annexure B to Independent Auditors' Report (Contd.)**

(Amount in rupees)

Name of the statute	Nature of dues	Disputed amount	Amount paid (Under dispute)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax Act, 1958 & Maharashtra Value Added Tax Act, 2002	Sales tax/ Value added tax	214,624,592	10,000,000	2012-13	Joint commissioner of Sales Tax Appeals
Income Tax Act, 1961	Income Tax	7,625,326	-	2009-10	Income Tax Appellate Tribunal

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) during the year. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company. In our opinion, and according to the information and explanations given to us, term loans have been applied for the purposes for which they were obtained.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the Ind AS financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

## **Annexure B to Independent Auditors' Report *(Contd.)***

- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

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

**Gautam Dharamshi**  
Partner  
Membership Number: 042393

Bangalore  
April 24, 2018

## Balance Sheet

		Amount in ₹	
	Notes	As at March 31, 2018	As at March 31, 2017
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	2,780,596,253	1,667,183,812
Capital work-in-progress	2	35,095,855	1,080,822,833
<b>Financial assets</b>			
Government grant	26	334,258,682	186,096,002
Deposits	3	6,552,966	14,309,670
Deferred tax assets (net)	32	288,477,958	504,724,949
Advance income tax (net)	32	31,650,385	5,798,624
Other non-current assets	4	290,501,352	257,271,089
<b>Total non-current assets</b>		<b>3,767,133,451</b>	<b>3,716,206,979</b>
<b>Current assets</b>			
Inventories	5	410,062,323	544,287,542
<b>Financial assets</b>			
Government grant	26	1,674,802,350	154,420,997
Trade receivables	6	1,903,364	14,192,497
Cash and cash equivalents	7	2,211,739	3,252,540
Other financial assets	8	1,661,479	-
Other current assets	9	59,767,644	200,886,239
<b>Total current assets</b>		<b>2,150,408,899</b>	<b>917,039,815</b>
<b>Total assets</b>		<b>5,917,542,350</b>	<b>4,633,246,794</b>
<b><u>Equity and liabilities</u></b>			
<b>Equity</b>			
Share capital	10.1	134,194,000	134,194,000
<b>Other equity</b>			
Reserves and surplus	10.2	121,601,636	(582,729,249)
<b>Total equity</b>		<b>255,795,636</b>	<b>(448,535,249)</b>

**Balance Sheet (Contd.)**

		Amount in ₹	
	Notes	As at March 31, 2018	As at March 31, 2017
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	11	1,455,327,749	1,481,845,353
Other financial liabilities	12	754,846,026	645,179,597
Provisions	16	6,099,710	9,567,481
<b>Total non-current liabilities</b>		<b>2,216,273,485</b>	<b>2,136,592,431</b>
<b>Current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	13	1,579,167,066	796,863,332
Trade payables	14	220,718,263	228,663,877
Other financial liabilities	12	111,155,256	252,349,994
Provisions	16	17,576,601	13,483,974
Current tax liabilities (net)		-	-
Other current liabilities	15	1,516,856,043	1,653,828,435
<b>Total current liabilities</b>		<b>3,445,473,229</b>	<b>2,945,189,612</b>
<b>Total liabilities</b>		<b>5,661,746,714</b>	<b>5,081,782,043</b>
<b>Total equity and liabilities</b>		<b>5,917,542,350</b>	<b>4,633,246,794</b>
<b>Significant accounting policies</b>	1		

The above Balance Sheet should be read in conjunction with the accompanying notes.

As per our report of even date attached

For **Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registraton Number - 304026E/E-300009

**Gautam Dharamshi**

Partner

Membership Number - 042393

Place: Bangalore

Date: April 24, 2018

For and on behalf of the Board of Directors

**R. Krishnamurthy**

Chairman

DIN: 0006940830

**Sanjoy Sarkar**

Chief Financial Officer

**B V Krishna Reddy**

Managing Director

DIN: 0007293482

**Akshara B L**

Company Secretary

Place: Bangalore

Date: April 24, 2018



## Statement of Profit and Loss

		Amount in ₹	
	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue from operations	17	1,349,998,066	965,960,706
Government grant	26	1,668,544,033	165,511,134
Other income	18	28,132,599	350,164
<b>Total Income</b>		<b>3,046,674,698</b>	<b>1,131,822,004</b>
<b>Expenses</b>			
Cost of materials consumed	19	1,117,429,353	719,109,285
Changes in inventories of work-in progress and finished goods	20	(91,129,444)	19,306,340
Excise duty		1,185,353	1,442,499
Employee benefit expense	21	105,306,991	76,636,685
Depreciation expense	23	366,115,564	273,280,759
Other expenses	24	304,155,686	283,611,363
Finance costs	22	225,448,240	193,159,945
<b>Total expenses</b>		<b>2,028,511,743</b>	<b>1,566,546,876</b>
<b>Profit / (loss) before taxation</b>		<b>1,018,162,955</b>	<b>(434,724,872)</b>
Income tax expense			
Current tax (MAT)		103,661,892	-
Deferred tax charge/(credit)	32	318,031,148	(133,887,498)
MAT credit utilised/ (availed)		(103,661,892)	-
<b>Profit/ (loss) for the year</b>		<b>700,131,807</b>	<b>(300,837,374)</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations	31	6,076,814	(1,689,241)
Income Tax relating to these items		(1,877,736)	521,975
<b>Other comprehensive income for the year, net of tax</b>		<b>4,199,078</b>	<b>(1,167,266)</b>
<b>Total comprehensive income for the year</b>		<b>704,330,885</b>	<b>(302,004,640)</b>
Basic and diluted earnings per share	29	52.29	(22.47)

The above Statement of Profit and Loss should be read in conjunction with the accompanying notes.

As per our report of even date attached

For **Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registraton Number - 304026E/E-300009

**Gautam Dharamshi**

Partner

Membership Number - 042393

Place: Bangalore

Date: April 24, 2018

For and on behalf of the Board of Directors

**R. Krishnamurthy**

Chairman

DIN: 0006940830

**Sanjoy Sarkar**

Chief Financial Officer

**B V Krishna Reddy**

Managing Director

DIN: 0007293482

**Akshara B L**

Company Secretary

Place: Bangalore

Date: April 24, 2018

## Cash Flow Statement

	Amount in ₹	
	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>A. Cash flow from operating activities</b>		
Profit/ (loss) before tax	1,018,162,955	(434,724,872)
<b>Adjustment for :</b>		
Depreciation expense	366,115,564	273,280,759
Provision for bad and doubtful debts	1,536,280	-
Provision for bad and doubtful advances	2,156,846	-
Interest income	(129,252)	(350,164)
Profit on sale of property, plant and equipments	(18,939,418)	-
Liabilities no longer required written back	(9,063,929)	-
Finance costs	225,448,240	193,159,945
<b>Change in operating assets and liabilities</b>		
(Increase)/ decrease in inventory	134,225,218	(417,370,221)
(Increase)/ decrease in trade receivables	10,752,853	(6,764,221)
(Increase)/ decrease in other non-current/ current assets	98,828,965	(94,427,235)
(Increase)/ decrease in other financial assets	(1,662,448,808)	521,042,867
Increase/ (decrease) in trade payables	1,118,315	102,048,563
Increase/ (decrease) in other financial liabilities	(50,733,393)	54,761,217
Increase/ (decrease) in other non-current/ current liabilities	(136,972,392)	158,367,527
Increase/ (decrease) in non-current/ current provisions	6,701,670	649,531
<b>Cash generated from operations</b>	<b>(13,240,286)</b>	<b>349,673,696</b>
Tax paid, net	(129,513,654)	(2,192,104)
<b>Net cash generated from/ (used in) operating activities (A)</b>	<b>(142,753,940)</b>	<b>347,481,592</b>
<b>B. Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(526,089,396)	(928,615,320)
Proceeds from disposal of property, plant and equipment	19,099,001	-
Interest received	129,252	220,912
<b>Net cash used in investing activities (B)</b>	<b>(506,861,143)</b>	<b>(928,394,408)</b>

**Cash Flow Statement (Contd.)**

	Amount in ₹	
	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>C. Cash flow from financing activities</b>		
Proceeds from current borrowings	32,200,000	200,000,000
Repayment of current borrowings	(232,200,000)	-
Working capital loan/ cash credit from banks (net)	964,356,093	448,217,498
Finance costs paid	(115,781,811)	(71,447,914)
<b>Net cash generated from/ (used in) financing activities (C)</b>	<b>648,574,282</b>	<b>576,769,584</b>
 <b>Net increase/ (decrease) in cash and cash equivalents (A+B+C)</b>	 (1,040,801)	 (4,143,232)
Add: Cash and cash equivalents at the beginning of the year	3,252,540	7,395,772
<b>Cash and cash equivalents at the end of the year</b>	<b>2,211,739</b>	<b>3,252,540</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

As per our report of even date attached

For **Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registraton Number - 304026E/E-300009

**Gautam Dharamshi**

Partner

Membership Number - 042393

Place: Bangalore

Date: April 24, 2018

For and on behalf of the Board of Directors

**R. Krishnamurthy**  
Chairman  
DIN: 0006940830

**Sanjoy Sarkar**

Chief Financial Officer

Place: Bangalore

Date: April 24, 2018

**B V Krishna Reddy**  
Managing Director  
DIN: 0007293482

**Akshara B L**

Company Secretary

## Statement of Changes in Equity

### (A) Equity Share Capital

	Amount in ₹	
	As at March 31, 2018	As at March 31, 2017
As at beginning of the year	134,194,000	134,194,000
Changes in share capital during the year	-	-
<b>As at end of the year</b>	<b>134,194,000</b>	<b>134,194,000</b>

### (B) Other Equity

	Amount in ₹				
	Reserves and surplus				
	Capital reserve	Securities premium reserve	Capital redemption reserve	Retained earnings	Total
<b>As at March 31, 2016</b>	<b>65,956,527</b>	<b>62,126,600</b>	<b>23,500,000</b>	<b>(432,307,736)</b>	<b>(280,724,609)</b>
Profit for the year	-	-	-	(300,837,374)	(300,837,374)
Other comprehensive income for the year	-	-	-	(1,167,266)	(1,167,266)
Total comprehensive income for the year	-	-	-	(302,004,640)	(302,004,640)
<b>As at March 31, 2017</b>	<b>65,956,527</b>	<b>62,126,600</b>	<b>23,500,000</b>	<b>(734,312,376)</b>	<b>(582,729,249)</b>
Profit for the year	-	-	-	700,131,807	700,131,807
Other comprehensive income for the year	-	-	-	4,199,078	4,199,078
Total comprehensive income for the year	-	-	-	704,330,885	704,330,885
<b>As at March 31, 2018</b>	<b>65,956,527</b>	<b>62,126,600</b>	<b>23,500,000</b>	<b>(29,981,491)</b>	<b>121,601,636</b>

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

As per our report of even date attached

For **Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registraton Number - 304026E/E-300009

**Gautam Dharamshi**

Partner

Membership Number - 042393

Place: Bangalore

Date: April 24, 2018

For and on behalf of the Board of Directors

**R. Krishnamurthy**

Chairman

DIN: 0006940830

**Sanjoy Sarkar**

Chief Financial Officer

**B V Krishna Reddy**

Managing Director

DIN: 0007293482

**Akshara B L**

Company Secretary

Place: Bangalore

Date: April 24, 2018

## Notes to the Financial Statements

### 1.1 Corporate Overview

Pioneer Distilleries Limited (“the Company”) is a public company domiciled and headquartered in India. It is incorporated under the Companies Act, 1956 and its shares are listed on BSE Limited and National Stock Exchange of India (NSE). The Company is engaged in the business of manufacturing and selling of Portable/Beverage alcohol, spirits and related products. The Company is a subsidiary of United Spirits Limited (USL).

### Significant Accounting Policies

#### 1.2 Basis of Preparation of Financial Statements

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the ‘Ind AS’) as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 (‘the Act’) [Companies (Indian Accounting standards) Rules, 2015] and other related provisions of the Act.

The financial statements have been prepared on Historical cost basis except for the following:

- a) Certain financial assets and liabilities are measured at fair value (refer note no. 34 financial instruments);
- b) Defined benefit employee plan- plan assets are measured at fair value (refer note no. 31)

#### *Amended standards adopted by the Company*

The amendment to Ind AS 7 requires disclosure of changes in liabilities arising from financing activities, See Note 11.

#### 1.3 Foreign Currency transactions

The financial statements are presented in Indian rupee (INR), which is company’s functional and presentation currency.

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

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented.

## Notes to the Financial Statements (Contd.)

### 1.4 Property, Plant & Equipment and Intangible Assets

Freehold land is carried at historical cost.

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses, if any. Costs include freight, import duties, non-refundable purchase taxes and other expenses directly attributable to the acquisition of the asset.

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

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

#### Intangible Assets

Acquired intangible assets are held on the balance sheet at cost less accumulated amortisation and impairment losses.

#### Depreciation and Amortisation

Depreciation is provided on the Straight Line Method applying the useful lives of assets as below

Asset Category	Useful Life (in years)
Buildings	30 - 60
Plant and equipment	7.5 – 15
Furniture and Fixtures	10
Vehicles	5
Office equipment	3 – 5
Computers	3

Intangible assets with finite life are amortised over the useful life using the straight-line method.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss under other gains/ (losses).

#### Impairment

The Company assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, the Company estimates

## Notes to the Financial Statements (Contd.)

the amount of impairment loss. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the individual asset/cash generating unit is made.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Impairment of intangible assets is based on their useful economic lives and is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are regarded as having indefinite useful economic lives are not amortised and are reviewed for impairment at least annually or when there is an indication that the assets may be impaired. Impairment reviews compare the net carrying value with the recoverable amount (value in use or fair value less cost to sell, whichever is higher). Amortisation and any impairment write downs are charged to other operating expenses in the income statement.

### 1.5 Revenue Recognition

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

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

#### a. Sale of manufactured goods

*Timing of recognition:* Revenue is recognised on dispatch of goods from distilleries / warehouses of the Company in accordance with the terms of sale except where such terms provide otherwise, where sales are recognised based on such terms.

*Measurement of revenue:* Revenue is measured net of trade discounts, rebates and certain other promotional expenses. Accumulated experience is used to estimate and provide for the discounts and returns.

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

The Company has entered into tie-up arrangement for manufacture of beverage alcohol and based on assessment, to determine principal-agent relationship in accordance with the Ind AS -18 'Revenue', of tie-up arrangement, the Company is acting as bottling service provider and accordingly revenue is accounted for such activities on net basis i.e. recognising bottling charges as income from operations.

## Notes to the Financial Statements (*Contd.*)

### 1.6 Inventories

Inventories includes raw material, work-in-progress, finished goods and stores & spares, and are valued at lower of cost and net realizable value. Cost of inventories comprises all costs of purchase, cost of conversion, borrowing cost and other costs incurred in bringing the inventories to their present location and condition.

In determining the cost, weighted average cost method is used. In case of manufactured inventories and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Adequate allowance is made for obsolete and slow moving items.

### 1.7 Employee Benefits

#### (a) Short-term obligations

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

#### (b) Other long-term employee benefit obligations

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

The obligations are presented as current / non-current liabilities in the balance sheet depending on whether the entity has unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

#### (c) Post-employment obligation

The Company's defined benefit plans comprise of gratuity.

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



## Notes to the Financial Statements (Contd.)

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

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

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

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

### *Defined-contribution plan*

Under defined contribution plans, provident fund, the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government and certain state plans like Employees' State Insurance. The Company's payments to the defined contribution plans are recognised as expenses during the period in which the employees perform the services that the payment covers.

## 1.8 Leases

A lease is classified at the inception date as a finance lease or an operating lease. Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

Other leases are treated as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

## 1.9 Financial Instruments

### **Financial assets - Initial recognition**

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets other than trade receivables are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit and loss.

## Notes to the Financial Statements (Contd.)

### Subsequent measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both

- (a) the entity's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

#### (a) Measured at amortised cost

A financial asset is measured at amortised cost, if it is held under the hold to collect business model i.e. held with an objective of holding the assets to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest on the principal outstanding. Amortised cost is calculated using the effective interest rate ("EIR") method by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. On derecognition, gain or loss, if any, is recognised in statement of profit and loss.

#### (b) Measured at fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI, if it is held under the hold to collect and sell business model i.e. held with an objective to collect contractual cash flows and selling such financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding. Such financial assets are measured at fair value with fair value movements recognised in the other comprehensive income (OCI), except for interest income which recognised using EIR method and is recorded in statement of profit & loss. The losses arising from impairment are recognised in the statement of profit and loss. On derecognition, cumulative gain or loss previously recognised in the OCI is reclassified from the equity to statement of profit and loss.

#### (c) Measured at fair value through profit or loss (FVPL)

Investment in financial asset other than equity instrument, not measured at either amortised cost or FVOCI is measured at FVPL. Such financial assets are measured at fair value with all changes in fair value, including interest income and dividend income if any, recognised in the Statement of Profit and Loss.

### Impairment

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

The Company's trade receivables do not contain significant financing component and loss allowance on trade receivables is measured at an amount equal to life time expected losses i.e. expected cash shortfall.

## Notes to the Financial Statements (*Contd.*)

For financial assets other than trade receivables, the Company recognises 12-month expected credit losses for all originated or acquired financial assets if at the reporting date the credit risk of the financial asset has not increased significantly since its initial recognition. The expected credit losses are measured as lifetime expected credit losses if the credit risk on financial asset increases significantly since its initial recognition. The impairment losses and reversals are recognised in Statement of Profit and Loss.

### De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers rights to receive cash flows from an asset, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

### Financial Liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities measured at amortised cost are subsequently measured at using EIR method. Financial liabilities carried at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the Statement of Profit and Loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 1.10 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions are complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

## Notes to the Financial Statements (*Contd.*)

When the grant relates to property, plant & equipment's, it is recognised as deferred income and are recognised as income in statement of profit and loss over the expected useful life of the related asset. When loan or similar assistance are provided by government or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is recognized at government rate. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received.

### 1.11 Taxes on Income

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

## Notes to the Financial Statements (*Contd.*)

### 1.12 Earnings per share

Basic EPS is arrived at based on net profit or (loss) 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.

### 1.13 Provisions and Contingencies

Provisions for legal claims, volume discounts and returns are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

### 1.14 Borrowing Costs

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

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

### 1.15 Segmental Information

The Company's Board of Directors consisting of Managing Director, senior level executive nominees from United Spirits Limited, the holding company together with the Chief Financial Officer has been

## Notes to the Financial Statements (*Contd.*)

identified as the Chief Operating Decision Maker (CODM) as defined under Ind AS 108 “Operating Segments”. The CODM evaluates the Company’s performance and allocates the resources based on an analysis of various performance indicators. The Company is primarily engaged in the business of manufacture and sale of Extra Neutral Alcohol, Malt Spirit, Indian Made Foreign Liquor (‘IMFL’) and allied products. Since all these segments meet the aggregation criteria as per the requirements of Ind AS 108 on ‘Operating segments’, the management considers these as a single reportable segment.

### 1.16 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less, including money market deposits, commercial paper and investments. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### 1.17 Trade and other receivables

Trade and other receivables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method less any allowance for discounts and doubtful debts.

### 1.18 Trade and other payables

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

### 1.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Profit or Loss over the period of the borrowings using the effective interest method.

### 1.20 Exceptional items

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

### 1.21 Recent accounting pronouncement

Ind AS 115- Revenue from Contract with Customers: On March 28, 2018, Ministry of Corporate Affairs (“MCA”) has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of

## Notes to the Financial Statements (Contd.)

the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- (i) Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors.
- (ii) Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018. The Company is evaluating the requirements of the standard and the impact on the financial statements.

### 1.22 Critical Estimates and Judgements

The preparation of the financial statements requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The recognition, measurement, classification or disclosure of an item or information in the financial statements is made relying on these estimates.

The estimates and judgements used in the preparation of the financial statements are continuously evaluated by the Company and are based on historical experience and various other assumptions and factors (including expectations of future events) that the Company believes to be reasonable under the existing circumstances. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

The areas involving critical estimates and judgements are:

- (i) Estimates of defined benefit obligations [Refer Note 31]
- (ii) Estimation of provisions and contingent liabilities [Refer Note 27]

## Notes to the Financial Statements (Contd.)

### 2. Property, plant and equipment

(Amount in ₹)

	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total	Capital work-in-progress (Note c below)
<b>Year ended March 31, 2017</b>									
<i>Gross carrying amount</i>									
Opening gross carrying amount	39,387,345	439,820,982	1,411,306,487	5,023,653	-	1,297,201	188,551	1,897,024,219	318,024,762
Additions	-	56,759,735	241,956,931	-	-	-	-	298,716,666	1,061,514,737
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	(298,716,666)
<b>Closing gross carrying amount</b>	<b>39,387,345</b>	<b>496,580,717</b>	<b>1,653,263,418</b>	<b>5,023,653</b>	<b>-</b>	<b>1,297,201</b>	<b>188,551</b>	<b>2,195,740,885</b>	<b>1,080,822,833</b>
<i>Accumulated depreciation</i>									
Opening accumulated depreciation	-	20,055,072	234,299,928	479,921	-	295,357	146,036	255,276,314	-
Depreciation charge for the year	-	23,251,358	249,432,705	382,317	-	186,855	27,524	273,280,759	-
Disposals	-	-	-	-	-	-	-	-	-
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>43,306,430</b>	<b>483,732,633</b>	<b>862,238</b>	<b>-</b>	<b>482,212</b>	<b>173,560</b>	<b>528,557,073</b>	<b>-</b>
<b>Net carrying amount as at March 31, 2017</b>	<b>39,387,345</b>	<b>453,274,287</b>	<b>1,169,530,785</b>	<b>4,161,415</b>	<b>-</b>	<b>814,989</b>	<b>14,991</b>	<b>1,667,183,812</b>	<b>1,080,822,833</b>
<b>Year ended March 31, 2018</b>									
<i>Gross carrying amount</i>									
Opening gross carrying amount	39,387,345	496,580,717	1,653,263,418	5,023,653	-	1,297,201	188,551	2,195,740,885	1,080,822,833
Additions	-	237,176,386	1,234,871,352	3,150,033	1,535,713	2,954,104	-	1,479,687,588	433,960,610
Disposals	-	-	689,240	-	-	-	-	689,240	-
Transfers	-	-	-	-	-	-	-	-	(1,479,687,588)
<b>Closing gross carrying amount</b>	<b>39,387,345</b>	<b>733,757,103</b>	<b>2,887,445,530</b>	<b>8,173,686</b>	<b>1,535,713</b>	<b>4,251,305</b>	<b>188,551</b>	<b>3,674,739,233</b>	<b>35,095,855</b>
<i>Accumulated depreciation</i>									
Opening accumulated depreciation	-	43,306,430	483,732,633	862,238	-	482,212	173,560	528,557,073	-
Depreciation charge for the year	-	32,403,436	332,905,917	387,590	184,286	219,344	14,991	366,115,564	-
Disposals	-	-	529,657	-	-	-	-	529,657	-
<b>Closing accumulated depreciation</b>	<b>-</b>	<b>75,709,866</b>	<b>816,108,893</b>	<b>1,249,828</b>	<b>184,286</b>	<b>701,556</b>	<b>188,551</b>	<b>894,142,980</b>	<b>-</b>
<b>Net carrying amount as at March 31, 2018</b>	<b>39,387,345</b>	<b>658,047,237</b>	<b>2,071,336,637</b>	<b>6,923,858</b>	<b>1,351,427</b>	<b>3,549,749</b>	<b>-</b>	<b>2,780,596,253</b>	<b>35,095,855</b>

a. The Company has not pledged its property, plant and equipment as security.

b. Refer note no. 28 for disclosure on contractual commitments for the acquisition of property, plant and equipment.

c. Capital work-in-progress mainly comprises of civil structures under construction and plant and machinery under installation.

d. For details of property, plant and equipment used in tie-up manufacturing arrangement refer note 37.



**Notes to the Financial Statements (Contd.)**

		Amount in ₹	
		As at March 31, 2018	As at March 31, 2017
<b>3 Deposits</b>			
<i>Unsecured, considered good</i>			
Security deposits		6,552,966	14,309,670
		<b>6,552,966</b>	<b>14,309,670</b>
<b>4 Other non-current assets</b>			
<i>Unsecured, considered good unless otherwise stated</i>			
Capital advances			
- Considered good [Refer (a) below]		204,081,842	210,984,363
- Considered doubtful		639,983	-
Less: Provision for doubtful advances		(639,983)	-
Prepaid expenses		142,395	301,260
Balances with government authorities			
- Considered good		83,077,115	45,985,466
- Considered doubtful		13,106,420	13,106,420
Less: Provision for doubtful balances with government authorities		(13,106,420)	(13,106,420)
Others		3,200,000	-
		<b>290,501,352</b>	<b>257,271,089</b>
(a) Capital advances considered good includes an amount of ₹ 199,317,327 (March 31, 2017: ₹ 199,317,327) being advance paid towards purchase of land pursuant to an “agreement to sell” entered by the Company with the owners of the land. The Company is in the process of resolving certain matters and expects to enter into a sale agreement and have the same registered in due course.			
<b>5 Inventories</b>			
<i>(Valued at lower of cost and net realisable value)</i>			
Raw materials		248,918,991	480,673,089
Work-in-progress		66,818,648	4,229,336
Finished goods		53,336,211	24,796,079
Stores, spares and consumables		40,988,473	34,589,038
		<b>410,062,323</b>	<b>544,287,542</b>
<b>6 Trade receivables</b>			
Unsecured, considered good		1,903,364	14,192,497
Unsecured, considered doubtful		2,247,961	711,681
Less: Provision for doubtful debts		(2,247,961)	(711,681)
		<b>1,903,364</b>	<b>14,192,497</b>
<b>7 Cash and cash equivalents (refer note 33)</b>			
Balances with banks			
in current accounts		2,211,739	3,252,540
		<b>2,211,739</b>	<b>3,252,540</b>

**Notes to the Financial Statements (Contd.)**

		Amount in ₹	
		As at March 31, 2018	As at March 31, 2017
<b>8 Other financial assets</b>			
Receivable from fellow subsidiaries (refer note 36)		1,661,479	-
		<b>1,661,479</b>	<b>-</b>
<b>9 Other current assets</b>			
<i>Unsecured, considered good unless otherwise stated</i>			
Sales tax receivable			
- Considered good	30,839,697	88,552,532	
- Considered doubtful	8,796,058	3,874,814	
Less: Provision for doubtful sales tax receivable	(8,796,058)	(3,874,814)	
Advance to suppliers			
- Considered good	19,824,666	31,319,512	
- Considered doubtful	1,516,863	-	
Less: Provision for doubtful advance to suppliers	(1,516,863)	-	
Prepaid expenses	7,614,395	13,173,806	
Balances with government authorities	542,518	36,242,518	
Other advances			
- Considered good	946,368	31,597,871	
- Considered doubtful	10,823,280	10,823,280	
Less: Provision for doubtful advances	(10,823,280)	(10,823,280)	
		<b>59,767,644</b>	<b>200,886,239</b>
<b>10.1 Equity share capital</b>			
<b>Authorised</b>			
17,500,000 equity shares of ₹ 10 each	175,000,000	175,000,000	
2,500,000 preference shares of ₹ 10 each	25,000,000	25,000,000	
	<b>200,000,000</b>	<b>200,000,000</b>	
<b>Issued, subscribed and fully paid up</b>			
13,388,200 equity shares of ₹ 10 each	133,882,000	133,882,000	
<b>Forfeited shares, partly paid up</b>			
62,400 equity shares, ₹ 5 paid up	312,000	312,000	
	<b>134,194,000</b>	<b>134,194,000</b>	

## Notes to the Financial Statements (Contd.)

### a) Reconciliation of number of shares

	As at March 31, 2018		As at March 31, 2017	
	Number of shares	Amount	Number of shares	Amount
<b>Equity shares:</b>				
Balance as at the beginning of the year	13,388,200	133,882,000	13,388,200	133,882,000
Add: Movement during the year	-	-	-	-
Balance as at the end of the year	<b>13,388,200</b>	<b>133,882,000</b>	<b>13,388,200</b>	<b>133,882,000</b>

### b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹ 10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

### c) Shares held by holding company/ ultimate holding company and / or their subsidiaries/ associates

	As at March 31, 2018		As at March 31, 2017	
	Number of shares	Amount	Number of shares	Amount
United Spirits Limited	10,041,150	100,411,500	10,041,150	100,411,500

### d) Details of equity shares held by shareholders holding more than 5% of the aggregate shares in the Company

	Amount		Amount	
	Nos.	% of Holding	Nos.	% of Holding
United Spirits Limited	10,041,150	75.00%	10,041,150	75.00%
Balkrishna Ramji Devani	664,882	4.97%	720,100	5.38%

f) There are no bonus shares issued, bought back during the period of five years immediately preceding the reporting date.

g) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

## 10.2 Reserves and surplus

	As at March 31, 2018	As at March 31, 2017
Capital reserve	65,956,527	65,956,527
Securities premium reserve	62,126,600	62,126,600
Capital redemption reserve	23,500,000	23,500,000
Retained earnings	(29,981,491)	(734,312,376)
	<b>121,601,636</b>	<b>(582,729,249)</b>

**Notes to the Financial Statements (Contd.)**

	Amount in ₹	
	As at March 31, 2018	As at March 31, 2017
<b>11 Non-current borrowings</b>		
<i>Unsecured</i>		
Sales tax deferment [refer (a) below]	127,938,823	145,886,464
Term loan from holding company [refer (b) below]	1,353,906,529	1,353,906,529
	<b>1,481,845,352</b>	<b>1,499,792,993</b>
Less: Current maturities (refer note 12)	(26,517,603)	(17,947,640)
	<b>1,455,327,749</b>	<b>1,481,845,353</b>

**Notes:**

- (a) Sales tax collected under deferral scheme of State Government of Maharashtra for eleven years (from 1999-00 to 2009-10) and is repayable in five equal annual installments beginning from 2010-11 with final installment due in 2024-25.
- (b) Term loan from holding company is repayable in single payment after a period of fifteen years. The rate of interest on term loan from holding Company is 9% (March 31, 2017 - 10%). Also refer note 36.

**Debt reconciliation**

Current borrowings	(1,579,167,066)	(796,863,332)
Non-current borrowings*	(2,236,691,378)	(2,144,972,589)
	<b>(3,815,858,444)</b>	<b>(2,941,835,921)</b>

\* Includes current maturities of non-current borrowings and interest accrued but not due.

**Debt movement**

	Liabilities from financing activities		Total
	Current borrowings	Non-current borrowings**	
<b>Debt as at April 01, 2017</b>	<b>(796,863,332)</b>	<b>(2,144,972,590)</b>	<b>(2,941,835,922)</b>
Cash flows	(782,303,734)	12,085,038	<b>(770,218,696)</b>
Interest expense	(84,026,318)	(135,559,319)	<b>(219,585,637)</b>
Interest paid	84,026,318	31,755,493	<b>115,781,811</b>
<b>Debt as at March 31, 2018</b>	<b>(1,579,167,066)</b>	<b>(2,236,691,378)</b>	<b>(3,815,858,444)</b>

\*\* Includes current maturities of non-current borrowings and interest accrued but not due.

**Notes to the Financial Statements (Contd.)**

		Amounts in ₹	
		As at March 31, 2018	As at March 31, 2017
<b>12 Other financial liabilities</b>			
<b>Non-current</b>			
Interest accrued but not due (refer note 36)		754,846,026	645,179,597
		<b>754,846,026</b>	<b>645,179,597</b>
<b>Current</b>			
Current maturities of sales tax deferment		26,517,603	17,947,640
Security deposits		8,789,950	16,250,000
Creditors for capital goods		60,644,968	159,676,275
Employee payables		7,430,309	16,870,953
Other payables		7,772,426	41,605,126
		<b>111,155,256</b>	<b>252,349,994</b>
There are no amounts due for payment to the Investor Education and Protection Fund under Section 125 of the Companies Act, 2013 as at year end.			
<b>13 Current borrowings</b>			
<b>Unsecured</b>			
Working capital loan from bank		1,579,167,066	596,863,332
Short-term loan from bank		-	200,000,000
		<b>1,579,167,066</b>	<b>796,863,332</b>
<b>Note:</b>			
(a) Interest on working capital loan ranges between 8% to 8.50% p.a. (2017: 9% to 9.25% p.a.). Short-term loan from bank carried an interest of 8.25% as at March 31, 2017.			
(b) United Spirits Limited, the holding company has furnished a Letter of Comfort (March 31, 2017 - a Corporate Guarantee) to the bank for the aforesaid loans outstanding as at year end.			
<b>14 Trade payables</b>			
Dues to Micro and Small Enterprises (refer note 25)		3,390,042	-
Dues to creditors other than Micro and Small Enterprises		217,328,221	228,663,877
		<b>220,718,263</b>	<b>228,663,877</b>

**Notes to the Financial Statements (Contd.)**

		Amounts in ₹	
		<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
<b>15 Other current liabilities</b>			
Advance from customers		9,309,217	28,275,839
Advance from holding company (refer note 36)			
- Trade advance		1,481,138,309	1,619,471,242
- Receivable towards tie-up manufacturing arrangement (refer note 37)		(202,720,777)	(296,034,087)
- Net working capital under tie-up manufacturing arrangement (refer note 37)		202,720,777	296,034,087
Statutory dues		26,408,517	6,081,354
		<b>1,516,856,043</b>	<b>1,653,828,435</b>
<b>16 Provisions</b>			
<i>Non-current</i>			
Employee benefits			
Gratuity (refer note 31)		6,099,710	9,567,481
		<b>6,099,710</b>	<b>9,567,481</b>
<i>Current</i>			
Employee benefits			
Compensated absences		8,843,486	7,239,356
Other provisions		8,733,115	6,244,618
		<b>17,576,601</b>	<b>13,483,974</b>

Disclosure under Ind-AS 37 on “Provisions, Contingent Liabilities and Contingent Assets” :

	<b>As at April 1, 2017</b>	<b>Additions during the year</b>	<b>Utilised/ reversed during the year</b>	<b>As at March 31, 2018</b>
Indirect tax matters [refer note below]	1,106,618	2,488,497	-	3,595,115
Legal claims [refer note below]	5,138,000	-	-	5,138,000
	<b>6,244,618</b>	<b>2,488,497</b>	<b>-</b>	<b>8,733,115</b>

Provision is made for probable cash outflow arising out of pending disputes / litigations with regulatory authorities/ parties. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

**Notes to the Financial Statements (Contd.)**

		Amounts in ₹	
		For the year ended March 31, 2018	For the year ended March 31, 2017
<b>17 Revenue from operations</b>			
Sale of products (including excise duty)		1,183,659,059	838,418,444
Sale of services			
Income under tie-up manufacturing arrangement (refer note 37)		53,343,974	44,518,616
Other operating revenue			
Scrap sale		112,995,033	83,023,646
		<b>1,349,998,066</b>	<b>965,960,706</b>
<b>18 Other income</b>			
Interest income on deposits		129,252	350,164
Profit on sale of property, plant and equipments		18,939,418	-
Liabilities no longer required written back		9,063,929	-
		<b>28,132,599</b>	<b>350,164</b>
<b>19 Cost of materials consumed*</b>			
Raw materials, stores, spares and consumables at the beginning of the year		515,262,127	78,585,566
Add: Purchases		892,074,690	1,155,785,846
Less: Raw materials, stores, spares and consumables at the end of the year		289,907,464	515,262,127
		<b>1,117,429,353</b>	<b>719,109,285</b>
<b>20 Changes in inventories of work-in progress and finished goods*</b>			
<b>Opening balance</b>			
Work-in-progress		4,229,336	3,859,693
Finished goods		24,796,079	44,472,062
		<b>29,025,415</b>	<b>48,331,755</b>
<b>Closing balance</b>			
Work-in-progress		66,818,648	4,229,336
Finished goods		53,336,211	24,796,079
		<b>120,154,859</b>	<b>29,025,415</b>
		<b>(91,129,444)</b>	<b>19,306,340</b>

\* includes allowance for slow, non-moving and obsolete inventories for the year amounted to ₹ 23,909,561 (March 31, 2017: ₹ 33,739,059).

**Notes to the Financial Statements (Contd.)**

		Amounts in ₹	
		For the year ended March 31, 2018	For the year ended March 31, 2017
<b>21 Employee benefit expense</b>			
Salaries, wages and bonus		91,357,828	62,155,418
Contribution to provident fund		5,239,997	7,032,603
Gratuity (Refer note 31)		4,223,526	2,499,044
Staff welfare expenses		4,485,640	4,949,620
		<b>105,306,991</b>	<b>76,636,685</b>
<b>22 Finance costs</b>			
Interest expense		205,877,906	174,015,554
Guarantee commission		5,862,603	3,513,699
Unwinding of interest		13,707,731	15,630,692
		<b>225,448,240</b>	<b>193,159,945</b>
<b>23 Depreciation expense</b>			
Depreciation on property, plant and equipment (refer note 2)		366,115,564	273,280,759
		<b>366,115,564</b>	<b>273,280,759</b>
<b>24 Other expenses</b>			
Power and fuel		30,160,301	63,913,859
Rent		5,835,882	4,818,821
Sub-contracting wages		72,536,896	51,414,950
Repairs and maintenance			
Buildings		9,551,874	632,984
Plant and equipment		64,303,314	80,933,661
Others		10,116,764	8,037,605
Rates and taxes		38,427,653	30,656,608
Insurance		2,713,238	3,562,724
Travelling and conveyance		5,028,856	5,952,797
Legal and professional		26,423,525	5,079,756
Freight outwards		-	635,753
Provision for bad and doubtful debts		1,536,280	-
Provision for bad and doubtful advances		2,156,846	-
Directors' sitting fees		824,000	613,500
<b>Auditor's remuneration (including applicable taxes)</b>			
Audit fees including limited review fees		2,714,000	2,139,519
Tax audit fees		236,000	442,750
Re-imbursement of expenses		19,935	106,066
Printing and stationery		3,153,834	3,972,849
Security services		13,611,630	10,490,809
Selling and distribution expenses		249,321	14,525
Miscellaneous expenses		14,555,537	10,191,827
		<b>304,155,686</b>	<b>283,611,363</b>



**Notes to the Financial Statements (Contd.)**

Amounts in ₹

**25 Dues to Micro, Small and Medium Enterprises (MSME)**

	<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
(i) Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	3,390,042	-
(ii) Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	1,090	-
(iii) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	13,212,308	-
(iv) Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
(v) Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
(vi) Interest due and payable towards suppliers registered under MSMED Act, for payments already made	99,731	-
(vii) Further interest remaining due and payable for earlier years	-	-

The above information has been determined to the extent such parties have been identified on the basis of information available with the Company regarding the status of registration of such vendors under the Micro, Small and Medium Enterprises Development Act, 2006.

**26 Government grant**

The Company is entitled to government grant from the State of Maharashtra for setting up projects in notified rural area under two phases. These grants are receivable in the form of VAT refunds.

Under Mega Phase II project, the Company is entitled to Government grant amounting to ₹ 2,600,000,000. Upon receipt of eligibility certificates for ₹ 1,804,912,000 during the year, the Company has recognised ₹ 1,668,544,033 representing present value of such receivables (₹ 1,804,912,000) as Government Grant income in the Statement of profit and loss.

**27 Contingent liabilities**

*Claims against the Company not acknowledged as debts*

(i) Income tax liabilities that may arise in respect of disputed matters	7,625,326	27,079,722
(ii) Service tax liability that may arise in respect of disputed matters*	-	2,251,083
(iii) Commercial tax, cess and Non-agriculture tax that may arise in respect of disputed matters	-	10,072,000
	<b>7,625,326</b>	<b>39,402,805</b>

**Notes to the Financial Statements (Contd.)**

- (iv) The Company has filed a petition before the Aurangabad Bench of High Court of Bombay challenging the notification increasing the levy on its raw material and an interim relief has been received. Based on legal precedence, management is optimistic of favourable outcome.
- (v) The Company has received a show cause notice under the Maharashtra Prohibition Act, 1949 alleging supply of certain goods without appropriate approvals in contravention of the provisions of the said Act. Based on a legal opinion obtained by the Company, management is of the view that no contravention as alleged in the show cause notice has been committed by the Company.

Considering the nature of the disputes, it is not practicable to estimate the timing of cashflows in respect of the above matters.

\* The Company expects reimbursement in respect of service tax liability from customer.

	<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
<b>28 Capital commitments</b>		
Estimated amounts of contracts remaining to be executed on capital account and not provided for:		
Property, plant and equipment (net of advances)	65,337,509	373,771,904
<b>29 Earnings/ (Loss) Per share</b>		
Profit/ (Loss) after tax available for equity shareholders	700,131,807	(300,837,374)
Weighted average number of equity shares	13,388,200	13,388,200
Nominal value of equity shares	10	10
Basic and diluted Earnings/ (Loss) Per Share	52.29	(22.47)

**30 Segment Reporting**

The Company has identified Managing Director, senior level executive nominees from United Spirits Limited on the Company's Board and Chief Financial Officer together as the Chief Operating Decision Maker (CODM) as defined under Ind AS 108 "Operating Segments". The CODM evaluates and reviews the Company's performance and allocates the resources based on analysis of various performance indicators. The Company is primarily engaged in the business of manufacture and sale of Extra Neutral Alcohol, Malt Spirit, Indian Made Foreign Liquor ('IMFL') and allied products. Since the entire business of the Company is evaluated and reviewed by the CODM as one reportable segment, the management considers this as a single reportable segment.

## Notes to the Financial Statements (Contd.)

### 31 Post retirement benefit plans

The Company provides gratuity to employees who are in continuous services for a period of 5 years or more. The amount of gratuity payable on termination/retirement is employees last drawn salary per month computed proportionately for 15 days salary multiplied for the number of completed years of service. The gratuity scheme is funded through a trust and the fund are managed by an insurance company.

	Amounts in ₹		
	Present Value of Obligation	Fair Value of plan assets	Net amount
<b>As of April 1, 2017</b>	19,560,803	9,993,322	9,567,481
Current service cost	3,519,904	-	3,519,904
Past service cost	5,196	-	5,196
Interest expense/(income)	1,403,763	705,337	698,426
<b>Total amount recognised in profit and loss</b>	<b>4,928,863</b>	<b>705,337</b>	<b>4,223,526</b>
<b>Remeasurements</b>			
Expected return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
<b>Net actuarial (gain)/loss</b>			
(Gain) or loss on plan assets	-	(339,461)	339,461
Change in experience	(2,152,138)	-	(2,152,138)
Change in demographic assumptions	(4,099,170)	-	(4,099,170)
Change in financial assumptions	(164,968)	-	(164,968)
<b>Total amount recognised to comprehensive income</b>	<b>(6,416,276)</b>	<b>(339,461)</b>	<b>(6,076,815)</b>
<b>Employer contribution</b>	-	1,614,483	(1,614,483)
<b>Benefits payment</b>	-	-	-
<b>As of March 31, 2018</b>	<b>18,073,390</b>	<b>11,973,681</b>	<b>6,099,709</b>

The net liability disclosed above relates to funded and unfunded plans are as follows:

	Amounts in ₹	
	As at March 31, 2018	As at March 31, 2017
Present value of funded obligations	18,073,390	19,560,803
Fair value of plan assets	11,973,681	9,993,322
<b>Deficit of funded plan</b>	<b>6,099,709</b>	<b>9,567,481</b>

### Significant estimates: actuarial assumptions and sensitivity

#### Financial assumption:

Discount rate	7.45%	7.30%
Salary escalation rate	10.00%	10.00%

**Notes to the Financial Statements (Contd.)**

Amounts in ₹

**Demographic assumption:**

Mortality rate	IALM (2006-08) Ultimate	IALM (2006-08) Ultimate
Attrition rate	13.20%	2.00%
Retirement age	58 Years	58 Years

As at March 31, 2018	As at March 31, 2017
-------------------------	-------------------------

**Sensitivity analysis**

The sensitivity of the overall plan liabilities to changes in the weighted key assumptions are:

**Discount rate**

a) Discount rate - 100 basis points	(19,226,199)	(22,323,490)
b) Discount rate + 100 basis points	17,038,801	17,235,966

**Salary escalation rate**

a) Rate - 100 basis points	(17,052,668)	(17,323,993)
a) Rate + 100 basis points	19,187,038	21,962,805

The sensitivity analysis above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period and may not be representative of the actual change. It is based on a change in the key assumption while holding all other assumptions constant. When calculating the sensitivity to the assumption, the same method used to calculate the liability recognised in the balance sheet has been applied. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared with the previous period.

**The major categories of plan asset are as follows:**

Equities	0%	0%
Bonds	0%	0%
Gilts	0%	0%
Pooled assets with an insurance company	0%	0%
Other	100%	100%
	<b>100%</b>	<b>100%</b>

**Notes to the Financial Statements (Contd.)**

Amounts in ₹

**The defined benefit obligations shall mature after year end as follows:**

	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Year 1	2,133,184	662,332
Year 2	2,086,880	447,640
Year 3	1,987,229	562,299
Year 4	2,066,293	499,173
Year 5	2,150,308	742,716
Year 6-10	9,068,682	6,122,474

The weighted average duration of the defined benefit obligation is 9.94 years (2017: 8.56 years).

**Risk exposure:**

Through its defined benefit plans, Company is exposed to a number of risks, the most significant of which are detailed below:

**Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in pre-defined insurance plans. These are subject to interest rate risk and the fund manages interest rate risk through continuous monitoring to minimise risk to an acceptable level.

**Change in bond yields**

A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

**32 Income taxes****(a) Tax expense recognised in the Statement of profit and loss**

	<b>Year ended March 31, 2018</b>	<b>Year ended March 31, 2017</b>
<b>Current tax</b>		
Current year	103,661,892	-
MAT credit utilised/ (availed)	(103,661,892)	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Relating to origination and reversal of temporary difference	318,031,148	(133,887,498)
<b>Total deferred income tax expense/(credit)</b>	318,031,148	(133,887,498)
<b>Total income tax expense/(credit)</b>	<b>318,031,148</b>	<b>(133,887,498)</b>

## Notes to the Financial Statements (Contd.)

A reconciliation between the statutory income tax rate applicable to the Company and the effective income tax rate of the Company is as follows :

	Year ended March 31, 2018	Year ended March 31, 2017
<b>(b) Reconciliation of effective tax rate</b>		
Profit /(loss) before taxation	1,018,162,955	(434,724,872)
Enacted income tax rate in India	30.90%	30.90%
Tax at the enacted income tax rate	314,612,353	(134,329,985)
Tax effects of amounts which are not deductible in calculating taxable income:		
Donations	77,250	30,900
Expenses not claimed for taxes	-	411,588
Interest on income taxes	1,646,629	-
Derecognition of previously recognised tax assets	1,197,318	-
Taxes paid that are eligible for credit (MAT)	(103,661,892)	-
Others	497,598	-
<b>Tax expense/ (credit)</b>	<b>214,369,256</b>	<b>(133,887,497)</b>

**(c) The movement in deferred tax assets and liabilities during the year ended March 31, 2018:**

	As at March 31, 2016	Credit/ (charge) in Statement of profit and loss	Credit/(charge) in Other comprehensive income	As at March 31, 2017
<b>Deferred tax assets/(liabilities)</b>				
Provision for doubtful debts and advances	8,811,504	-	-	8,811,504
Expenses allowable on payment basis	5,184,596	1,242,929	521,975	6,949,500
Property, plant and equipment	(212,623,116)	25,372,758	-	(187,250,358)
Carry forward losses (including unabsorbed depreciation)	586,420,138	102,441,928	-	688,862,066
Financial liabilities at amortised cost	(17,477,647)	4,829,884	-	(12,647,763)
	<b>370,315,475</b>	<b>133,887,499</b>	<b>521,975</b>	<b>504,724,949</b>

**Notes to the Financial Statements (Contd.)**

	As at March 31, 2017	Credit/ (charge) in Statement of profit and loss	Credit/(charge) in Other comprehensive income	As at March 31, 2018
<b>Deferred tax assets/(liabilities)</b>				
Provision for doubtful debts and advances	8,811,504	(253,896)	-	8,557,608
Expenses allowable on payment basis	6,949,500	1,536,663	(1,877,736)	6,608,427
Property, plant and equipment	(187,250,358)	(38,599,087)	-	(225,849,445)
Carry forward losses (including unabsorbed depreciation)	688,862,066	(327,088,218)	-	361,773,848
MAT credit	-	103,661,892	-	103,661,892
Financial asset at amortised cost	-	42,137,702	-	42,137,702
Financial liabilities at amortised cost	(12,647,763)	4,235,689	-	(8,412,074)
	<b>504,724,949</b>	<b>(214,369,255)</b>	<b>(1,877,736)</b>	<b>288,477,958</b>

**(d) Unabsorbed business losses**

The Company has tax losses (including unabsorbed depreciation) of ₹ 1,162,712,152 (March 31, 2017: ₹ 2,353,930,481) that are available for offsetting against future taxable profits. Deferred tax asset has been recognised to the extent Company has reasonable certainty over future taxable profits. The Company has partially utilised brought forward losses and unabsorbed depreciation against taxable profits earned in the current year. The Company expecting to fully utilise carry forward tax losses and unabsorbed depreciation in the foreseeable future.

**(e) Advance taxes**

	As at March 31, 2018	As at March 31, 2017
Advance income taxes	135,541,987	6,028,334
Provision for income taxes	(103,891,602)	(229,710)
	<b>31,650,385</b>	<b>5,798,624</b>

## Notes to the Financial Statements (Contd.)

### 33 Disclosures as per Notification No. GSR 308(E) [F.NO.17/62/2015-CL-V-(VOL.I)], dated March 30, 2017

Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016:

	Specified Bank Notes (old Rs. 500 and ₹ 1,000 notes, which were withdrawn)	Other denomination notes (other than withdrawn notes)	Total
Closing cash in hand as at November 8, 2016	-	-	-
(+) Permitted receipts in specified notes	-	-	-
(-) Permitted payments in specified notes	-	-	-
(-) Amount deposited in banks	-	-	-
(-) Payments through other denomination notes	-	-	-
(+) Receipt of other denomination notes	-	-	-
Closing cash in hand as at December 30, 2016	-	-	-

### 34 (A) Financial risk factors

The Company's principal financial liabilities comprise loans and borrowings, advances and trade and other payables. The purpose of these financial liabilities is to finance the Company's operations and to provide to support its operations. The Company's principal financial assets include Government grant, deposits, trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company's activities exposes it to Liquidity Risk, Market Risk and Credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised as below

#### a. Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management implies maintenance sufficient cash including availability of funding through an adequate amount of committed credit facilities to meet the obligations as and when due.

The Company manages its liquidity risk by ensuring as far as possible that it will have sufficient liquidity to meet its short term and long term liabilities as and when due. Anticipated future cash flows, undrawn committed credit facilities are expected to be sufficient to meet the liquidity requirements of the Company.



## Notes to the Financial Statements (Contd.)

### (i) Financing arrangements

The Company has access to the following undrawn borrowing facilities as at the end of the reporting period:

	As at March 31, 2018	As at March 31, 2017
Unsecured facility from Bank, repayable at demand	420,832,934	153,136,668

### (ii) The following is the contractual maturities of the financial liabilities:

	Carrying amount	Payable on demand	Less than 1 month	1-12 months	more than 12 months
<b>As at March 31, 2017</b>					
<b>Non-derivative liabilities</b>					
Borrowings	3,078,960,058	796,863,332	-	17,947,640	1,481,845,353
Trade payables	228,663,877	-	228,663,877	-	-
Other financial liabilities	879,581,951	-	234,402,354	-	645,179,597
	<b>4,187,205,886</b>	<b>796,863,332</b>	<b>463,066,231</b>	<b>17,947,640</b>	<b>2,127,024,950</b>
<b>As at March 31, 2018</b>					
<b>Non-derivative liabilities</b>					
Borrowings	3,061,012,418	1,579,167,066	-	26,517,603	1,455,327,749
Trade payables	220,718,263	-	220,718,263	-	-
Other financial liabilities	839,483,680	-	84,637,654	-	754,846,026
	<b>4,121,214,361</b>	<b>1,579,167,066</b>	<b>305,355,917</b>	<b>26,517,603</b>	<b>2,210,173,775</b>

### b. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk includes investment, deposits, foreign currency receivables and payables. The Company's treasury team manages the Market risk, which evaluates and exercises independent control over the entire process of market risk management.

#### (i) Foreign currency risk

Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's functional and presentation currency is INR. The Company does not have any foreign currency transactions and hence is not exposed to the Foreign Currency Risks.

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company's long term borrowings have fixed rate of interest and are carried at amortised costs. Hence, the Company is not subject to the interest rate risk since neither the carrying amount nor the future cash flows will change due to change in the market interest rates.

## Notes to the Financial Statements (Contd.)

Working capital facility and loan from holding company are, as per contractual terms, primarily of long term in nature, which does not exposes company to significant interest rate risk.

### c. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations. The Company is exposed to credit risks from its operating activities, primarily trade receivables, cash and cash equivalents, deposits with banks and other financial instruments.

Credit risk is managed by the Company through credit approvals, establishing credit limits and continuously monitoring the credit worthiness of customers to which the Company grants credit terms in the normal course of business. Company's major sales are to its holding company, United Spirits Limited (USL). USL has extended trade advance to support the operations of the Company. Hence, the credit exposure is assessed to be negligible.

#### Exposure to the Credit risks

Financial assets for which loss allowance is measured using 12 months  
Expected Credit Losses (ECL)

- Deposits

	As at March 31, 2018	As at March 31, 2017
- Deposits	6,552,966	14,309,670
	6,552,966	14,309,670

#### Exposure to the Credit risks

Financial assets for which loss allowance is measured using Life time  
Expected Credit Losses (ECL)

- Trade Receivables

- Trade Receivables	1,903,364	14,192,497
	1,903,364	14,192,497

#### Trade and other receivables

The Company considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risks on an ongoing basis throughout each reporting period.

To assess whether there is a significant change increase in credit risk the Company compares the risks of default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. It considers the reasonable and supportive forward looking information such as:

- (i) Actual or expected significant adverse changes in business.
- (ii) Actual or expected significant changes in the operating results of the counterparty.
- (iii) Financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- (iv) Significant increase in credit risk on other financial instruments of same counterparty

**Notes to the Financial Statements (Contd.)****Ageing of the accounts receivables**

	<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
Not due	-	-
0-30 days	1,495,718	4,135,331
30-60 days	-	1,189,090
60-90 days	-	3,128,992
90-180 days	32,316	4,186,521
> 180 days	2,623,291	2,264,244
	<b>4,151,325</b>	<b>14,904,178</b>

**Movement in provisions of doubtful debts and advances**

	<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
Opening provision	28,516,195	28,516,195
Add: Additional provision made*	8,614,370	-
Less: Provision write off/ reversed	-	-
Less: Provision utilised against bad debts	-	-
<b>Closing provisions</b>	<b>37,130,565</b>	<b>28,516,195</b>

\* Includes charges to rates and taxes

**34 (B) Financial instruments**

The following methods and assumptions were used to estimate the fair values:

1. Fair value of cash and short-term deposits, trade and other short term receivables, trade payables, other current liabilities, short term loans from banks and other financial institutions approximate their carrying amounts, largely due to short term maturities of these instruments.
2. Financial instruments with fixed and variable interest rates are evaluated by the Company based on parameters such as interest rates and individual credit worthiness of the counterparty. Based on this evaluation, allowances are taken to account for expected losses of these receivables. Accordingly, fair value of such instruments is not materially different from their carrying amounts.

## Notes to the Financial Statements (Contd.)

### 35 Capital risk management

The Company's objectives when managing capital are to :

- ◆ safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- ◆ maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders etc.

The Company monitors capital using a gearing ratio being a ratio of net debt as a percentage of total capital.

	As at March 31, 2018	As at March 31, 2017
Total equity attributable to equity shareholders of the Company	255,795,636	(448,535,249)
Net debt (Total borrowings less cash and cash equivalents)	3,058,800,679	3,075,707,518
<b>Total capital (Borrowings and Equity)</b>	<b>3,314,596,315</b>	<b>2,627,172,269</b>
<b>Gearing ratio</b>	<b>92%</b>	<b>117%</b>

### 36 Related Party Disclosure

#### A Names of related parties and description of relationship

##### (a) Related Parties where control exists :

United Spirits Limited, immediate holding company  
Diageo PLC., ultimate holding company

##### (b) Fellow subsidairies :

Sovereign Distilleries Limited  
Tern Distilleries Private Limited  
Four Seasons Wines Limited

##### (c) Key management personnel :

###### Non-executive directors

- (i) R Krishnamurthy, Chairman
- (ii) Junia Sebastian
- (iii) Mamta Sundara
- (iv) Ajay Kumar Goel (from March 7, 2018)
- (v) Sanjeev Kumar Gupta (from March 7, 2018)

###### Executive director

- (i) B V Krishna Reddy, Managing Director

##### (c) Employees' benefit plans :

Pioneer Distilleries Employees' Gratuity Trust

**Notes to the Financial Statements (Contd.)****B Summary of transactions with related parties during the year is as follows:**

	<b>For the year ended March 31, 2018</b>	<b>For the year ended March 31, 2017</b>
<b>Immediate holding company</b>		
- Sale of goods*	613,904,503	519,203,083
- Finance costs (including guarantee commission)	127,714,191	139,063,672
- Income under tie-up manufacturing arrangement	53,343,974	44,518,616
- Salary recharge (reimbursement)	-	3,184,129
<b>Fellow subsidiaries</b>		
- Salary recharge (outbound)	1,866,471	-
- Purchase of property, plant and equipments	7,149,620	-
<b>Key management personnel</b>		
<b>Executive director</b>		
- Remuneration	8,508,548	8,000,420
<b>Non-executive directors</b>		
- Sitting fee	824,000	613,500
<b>Employees' benefit plans</b>		
- Contribution to fund	1,614,483	10,000,000

\* Excludes gross sale of IMFL amounting to ₹ 3,909,934,919 (March 31, 2017: ₹ 4,034,356,902) and purchase of key ingredients amounting to ₹ 32,534,153 (March 31, 2017: ₹ 21,087,742) under tie-up manufacturing arrangement. Refer note 37.

**C Outstanding balances as at the year-end are as follows:**

	<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
<b>Immediate holding company</b>		
- Non-current borrowing	(1,353,906,529)	(1,353,906,529)
- Interest accrued but not due on above	(754,846,026)	(645,179,597)
- Trade advance	(1,481,138,309)	(1,619,471,242)
- Receivable towards tie-up manufacturing arrangement (refer note 37)	202,720,777	296,034,087
<b>Fellow subsidiaries</b>		
- Receivable towards salary recharges	1,661,479	-
<b>Employees' benefit plans</b>		
- Payable towards contribution	6,099,709	9,567,481

**D General terms and conditions**

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

## Notes to the Financial Statements (Contd.)

### 37 Tie up manufacturing arrangement:

- (a) The Company has entered into a tie-up manufacturing agreement with United Spirits Limited ('USL'), the holding company. In terms of this agreement, the Company manufactures, under USL's supervision, brands owned and marketed by USL. Under Ind-AS 18 on 'Revenue', the Company has assessed its relationship with USL to be that of an agent. Further, under the arrangement, the Company is entitled to bottling fees which is determined based on output and volume. Risk and rewards of the activity rests with USL.
- (b) The income under tie-up manufacturing arrangement included in Revenue from operations is as below

	For the year ended March 31, 2018	For the year ended March 31, 2017
Income under tie-up manufacturing agreement	53,343,974	44,518,616

- (c) The gross sales, excise duty and cost of goods sold (the net impact of which is nil) in respect of the tie up manufacturing arrangement as indicated below in the respect of these operations have not been disclosed by the Company in the Statement of Profit and Loss

	For the year ended March 31, 2018	For the year ended March 31, 2017
Gross sales	5,158,882,588	4,034,356,902
Excise duty	(4,187,723,338)	(3,367,311,224)
Cost of goods sold	(971,159,250)	(667,045,678)
<b>Net Impact</b>	<b>-</b>	<b>-</b>

- (d) The net working capital in respect of the tie up manufacturing arrangement as indicated below have been with the outstanding balance of USL

	As at March 31, 2018	As at March 31, 2017
Inventories	153,781,778	74,202,580
Other current assets	28,931,916	(18,699,955)
Financial liabilities		
Trade payables	(97,714,658)	(134,827,162)
Other current financial liabilities	(87,625,711)	(30,939,632)
Other current liabilities	(200,094,102)	(185,769,918)
	<b>(202,720,777)</b>	<b>(296,034,087)</b>

**Notes to the Financial Statements (Contd.)**

- (e) The details of property, plant and equipment used in tie-up manufacturing arrangements with USL are given below:

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Total</b>
<b>Year ended March 31, 2017</b>			
<i><b>Gross carrying amount</b></i>			
Opening gross carrying amount	188,932,829	68,378,716	257,311,545
Additions	-	30,770,980	30,770,980
<b>Closing gross carrying amount</b>	<b>188,932,829</b>	<b>99,149,696</b>	<b>288,082,525</b>
<i><b>Accumulated depreciation</b></i>			
Opening accumulated depreciation	8,232,781	4,347,256	12,580,037
Depreciation charge for the year	8,260,656	6,396,625	14,657,281
<b>Closing accumulated depreciation</b>	<b>16,493,437</b>	<b>10,743,881</b>	<b>27,237,318</b>
<b>Net carrying amount</b>	<b>172,439,392</b>	<b>88,405,815</b>	<b>260,845,207</b>
<b>Year ended March 31, 2018</b>			
<i><b>Gross carrying amount</b></i>			
Opening gross carrying amount	188,932,829	99,149,696	288,082,525
Additions	2,400,379	28,630,336	31,030,715
<b>Closing gross carrying amount</b>	<b>191,333,208</b>	<b>127,780,032</b>	<b>319,113,240</b>
<i><b>Accumulated depreciation</b></i>			
Opening accumulated depreciation	16,493,437	10,743,881	27,237,318
Depreciation charge for the year	8,285,431	7,115,220	15,400,651
<b>Closing accumulated depreciation</b>	<b>24,778,868</b>	<b>17,859,101</b>	<b>42,637,969</b>
<b>Net carrying amount</b>	<b>166,554,340</b>	<b>109,920,931</b>	<b>276,475,271</b>

**38 Leases**

- (a) The Company has operating leasing arrangements for warehouse facilities that are renewable on a periodic basis. Rental expenses for operating leases recognised in the Statement of profit and loss is ₹ 5,835,882 (March 31, 2017: ₹ 4,818,821). The Company does not have any non-cancellable leases and thus no disclosures in this regard is given.
- (b) Refer note 37 for disclosures relating to tie-up manufacturing arrangement.

## Notes to the Financial Statements (Contd.)

- 39** In view of the Company's business plan and the letter of financial support received from the holding Company, United Spirits Limited, these financial statements are prepared on a going concern basis.
- 40** Since the average net profit of the Company during the three immediately preceding financial years is negative, the Company has no obligation to spend towards the Corporate Social Responsibility as required under the provisions of Section 135 of the Act.
- 41** Previous year's figures have been regrouped/ reclassified to conform to the current year's presentation for the purpose of comparability.

As per our report of even date attached

For **Price Waterhouse & Co Chartered Accountants LLP**  
Firm Registraton Number - 304026E/E-300009

**Gautam Dharamshi**

Partner

Membership Number - 042393

Place: Bangalore

Date: April 24, 2018

For and on behalf of the Board of Directors

**R. Krishnamurthy**  
Chairman  
DIN: 0006940830

**Sanjoy Sarkar**

Chief Financial Officer

Place: Bangalore

Date: April 24, 2018

**B V Krishna Reddy**  
Managing Director  
DIN: 0007293482

**Akshara B L**

Company Secretary



## NOTES

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## NOTES

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If undelivered please return to:

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(Unit: Pioneer Distilleries Limited)

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