

DIAGEO

INDIA

Pioneer Distilleries limited

Subsidiary of United Spirits Limited

Registered Office:

UB Tower, Level 10

#24 Vittal Mallya Road,

Bengaluru 560 001

Tel: +91 80 2221 0705

Fax: +91 80 3985 6862

info@pioneerdistilleries.com

August 19, 2019

BSE Limited
(Regular Office & Corporate Relations Dept)
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai- 400001
Scrip Code: 531879

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (East), Mumbai- 400051
Scrip Code: PIONDIST

Dear Sir/Madam,

Sub: Submission of Notice and Annual Report of Pioneer Distilleries Limited for the FY 2018-2019

Ref: Regulation 34 (1) (a) of SEBI (LODR) Regulation, 2015

With reference to the captioned subject, we are hereby uploading the soft copy of Annual Report of our Company for the FY 2018-2019, along with the Notice of Annual General Meeting.

Thanking you,

Yours faithfully,

for **Pioneer Distilleries Limited**



B L Akshara
Company Secretary

Enclosed: As Above

PIONEER DISTILLERIES LIMITED

Corporate Identity Number: L24116KA1992PLC125992

Reg. Office: UB Tower, Level 10 #24, Vittal Mallya Road Bengaluru – 560 001

Tel: +91 80 2221 0705, +91 80 3964 2207; Fax: +91 80 3985 6862

Web: www.pioneerdistilleries.com Email: pdlinvestor.india@diageo.com

DIAGEO
INDIA

NOTICE

Notice is hereby given of the Twenty Sixth Annual General Meeting (“AGM”) of Pioneer Distilleries Limited (the “Company”) to be held at The Capitol Hotel, No. 3, Raj Bhavan Road, Bengaluru -560 001 on Thursday, September 12, 2019 at 3.30 p.m. for the following purposes:

Ordinary Business:

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended March 31, 2019 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of **Mr. Ajay Goel (DIN: 07642136)**, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

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

3. Appointment of Mr Ravi Varma (DIN: 02168293) as a Director:

As an Ordinary Resolution

RESOLVED THAT Mr Ravi Varma (DIN: 02168293), Managing Director of the Company who was appointed as an additional director of the Company and whose period of office expires on the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director and recommended by the Nomination and Remuneration Committee, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

4. Appointment of Mr Ravi Varma (DIN: 02168293) as a Managing Director for a period of two years:

As a Special Resolution

RESOLVED THAT subject to the provisions of sections 196 and 197, read with schedule V and other applicable provisions of Companies Act 2013, or any statutory modification or re-enactment thereof, Mr Ravi Varma (DIN: 02168293), Managing Director of the Company who was appointed as an additional director of the Company and whose period of office expires on the date of this Annual General Meeting, and whose term has been recommended by the Nomination and Remuneration Committee and approved by the Board, be and is hereby appointed as Managing Director of the

Company for a period of 2 years, on the following terms and conditions:

1.	Basic Salary	Basic Salary of Rs. 1,50,310/- per month
2.	Basket of Allowance	Up to Rs. 2,51,762/- per month as per the policy of the Company.
3.	Annual Incentive Plan	Annual Incentive Plan (Rs.8,41,737/- per year based on multiple of 1) is a non-guaranteed incentive payment based on overall company's and individual performance which is subject to variation based on the performance of the director and achievement of targets by the Company.
4.	Provident Fund	Admission and contributions will be as per the applicable statutory provisions.
5.	Gratuity	Payable as per the statutory provisions and the rules of the Company.
6.	Insurance	i. Group personal accident and term life insurance- Applicable as per the policy of the Company. ii. Group Mediclaim policy- Applicable as per the policy of the Company.
Tax Liability - The taxability of various allowances /reimbursements mentioned above is to be considered in the light of existing tax laws or as amended from time to time.		
Such other benefits, amenities, facilities and perquisites as per the rules of the Company, as applicable and as may be permitted by the Board of Directors of the Company.		

Provided that Board of Directors of the Company may revise the aforesaid remuneration, from time to time, within the tenure of his appointment subject to the recommendation of Nomination and Remuneration Committee and the remuneration payable to Mr. Ravi Varma (including salary, Special Allowance, Personal Allowance, Annual Incentive plan (AIP) or equivalent or equivalent, Perquisites, Benefits, Amenities and Facilities) shall be subject to the provisions laid down in Section 197 read with Schedule V of the Companies Act, 2013 or any other statutory provisions, modifications and re-enactments thereof and within the limits stated therein.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary for obtaining necessary approvals in relation to the above and to execute all such documents, instruments and

NOTICE (CONTINUED)

writings as may be required in this connection and to delegate all or any of its powers herein conferred to any Director, Company Secretary or any other officer(s) of the Company.

5. Appointment of Ms. Srivathsala K N (DIN: 06465469) as a Director:

As an Ordinary Resolution

RESOLVED THAT subject to the provisions of Section 161 and 149 of Companies Act, 2013, Ms. Srivathsala K N (DIN: 06465469), who was appointed as an additional director of the Company and whose period of office expires on the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director and recommended by the Nomination and Remuneration Committee, be and is hereby appointed as an Independent Director of the Company for a term of five years without being liable to retirement by rotation.

6. Approval for availing loans and take guarantee from Related Party:

As an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Regulation 23 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and other applicable provisions if any of SEBI Listing Regulations, Companies Act, 2013, and the rules made thereunder, if any or under any other laws and subject to such other approvals, consents, permissions and sanctions of any authorities as may be necessary, consent of the members of the Company be and is hereby accorded to the Company, to borrow additional loans from United Spirits Limited ("USL"), the holding company of the Company, up to Rs. 200,00,00,000 (Rupees Two Hundred Crores only) (over and above the existing loans already approved and availed by the Company), such that the aggregate limit of loan borrowed from USL shall be Rs. 485,00,00,000 (Rupees Four hundred eighty five crore only) including any existing loan taken from USL, in one or more tranches having a repayment period and interest rates and other terms and conditions as may be permissible under law and as may be agreed to between the Company and USL from time to time.

RESOLVED FURTHER THAT pursuant to the provisions of Regulation 23 of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and other applicable provisions if any of SEBI Listing Regulations, Companies Act, 2013, and the rules made thereunder, if any or under any other laws and

subject to such other approvals, consents, permissions and sanctions of any authorities as may be necessary, consent of the members of the Company be and is hereby accorded to the Company, to seek Guarantee from United Spirits Limited in connection with a loan taken by the Company or for guarantee in connection with any obligation of the Company up to an aggregate amount of Rs. 350 Crores (Rupees Three Hundred and Fifty Crores only) including any existing guarantee obtained from USL.

RESOLVED FURTHER THAT commission/fee, as may be mutually agreed to between the Company and USL from time to time, shall be in the range of 0.25% p.a. to 0.75% p.a. of the guarantee amount.

RESOLVED FURTHER THAT the Board of Directors of the Company be and hereby authorised to do all such acts, matters, deeds and things as may be necessary, expedient or desirable and to execute the documents, deeds or writings required to be made and to do all acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable, including to settle any question, difficulty or doubt that may arise in respect of such loans.

RESOLVED FURTHER THAT the Board of Directors be and hereby authorised to delegate any of its powers conferred by the above resolution to any director or directors or to any committee of directors or to any other officer or officers of the Company or to Company Secretary to give effect to the above resolution.

By Order of the Board

Bengaluru
July 18, 2019

Akshara B L
Company Secretary

NOTES:

Please refer to the explanatory statement given hereunder.

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

Pursuant to the provisions of Section 105 of the Companies Act, 2013 and rules made thereunder, a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Members holding more than ten percent of the total share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. Proxies submitted on behalf

NOTICE (CONTINUED)

of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.

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

2. The Transfer Books and Register of Members will remain closed from September 06, 2019 to September 12, 2019 (both days inclusive).
3. Members are requested to intimate immediately to the Company's Registrars and Transfer Agents, M/s. Venture Capital and Corporate Investments Private Limited, Regd. Office: 12-10-167, Bharat Nagar, Hyderabad 500 018, in case of physical form and to their respective Depository Participants, in case of shares held in dematerialized/electronic form:
 - a. any change in their registered addresses along with PIN Code Number;
 - b. details about their email addresses, if any, so that all notices and other statutory documents which are required to be sent to the Members, as per the provisions of the Companies Act, 2013, can be sent to their email addresses; and
 - c. details about their bank account number, name of the bank, bank's branch name and address to enable the Company to draw dividend warrant payable accordingly.
4. Members holding shares in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents, at the address as stated in Note No. 3 above.
5. Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
6. Nomination facility for shares is available for Members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
7. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members having the physical share certificates are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerialising their shareholdings in the Company.
8. Transfer of Unclaimed / Unpaid amounts to the Investor Education and Protection Fund (IEPF):

In terms of Section 205A and 205C of the Companies Act, 1956 and Section 124 and 125 of the Companies Act, 2013, the amount of dividend declared and remaining unclaimed for a period of seven years from the due date of payment have been transferred to the Investor Education and Protection Fund on the respective due dates. Accordingly, all unclaimed / unpaid dividend remaining unclaimed / unpaid for a period of seven years from the date they became due for payment, have been transferred to the IEPF established by the Central Government. No claim shall be entertained against the Company for the amounts so transferred to IEPF Account.

As per Section 124(6) of the Act read with the IEPF Rules as amended, all the shares in respect of which dividend has remained unpaid/unclaimed for seven consecutive years or more are required to be transferred to an IEPF Demat Account.

The Company has sent notice to all the members whose Dividends are lying unpaid / unclaimed against their name for seven consecutive years or more. Members are requested to claim from the IEPF Authority in respect of the dividend transferred to IEPF account.

In the event of transfer of shares and the unclaimed dividends to IEPF, members are entitled to claim the same from IEPF by submitting an online application in the prescribed Form IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same duly signed to the Company along with the requisite documents enumerated in the Form IEPF- 5. Members can file only one consolidated claim in a financial year as per the current IEPF Rules.

9. Members attending the AGM are requested to bring with them the following:
 - a. Members holding shares in dematerialized form, their DP & Client ID Numbers.
 - b. Members holding shares in physical form, their Folio Numbers.
 - c. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the AGM.
 - d. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

The Company would accept only the Attendance Slip from a member attending the AGM; or from the person attending as a proxy under a valid proxy form registered with the Company not later than 48 hours prior to the AGM. Attendance Slips of Members/valid proxies not personally present at the AGM, or relating to Proxies which are invalid, will not be accepted from any other member/person.

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

NOTICE (CONTINUED)

10. The Company has designated an exclusive email id viz., pdlinvestor.india@diageo.com to enable the investors to post their grievances and monitor its redressal.
11. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the AGM.
12. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to Members with a facility to exercise their right to vote at the AGM for the business to be transacted in addition to electronic voting ("e-voting") services provided by Central Depository Services Limited ("CDSL").
13. The instructions for shareholders voting electronically are as under:
 - A. Members whose shareholding is in the dematerialised form and whose e-mail addresses are registered with the Company/Depository Participants will receive an e-mail informing login details.
 - (i) The e-voting period begins on September 9, 2019 at 9.00 a.m and ends on September 11, 2019 at 5.00 p.m. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form as on the cut-off date of September 05, 2019, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (ii) The shareholders should log on www.evotingindia.com and follow the e-voting instructions given below:
 - (iii) Click on Shareholders/Members.
 - (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client, ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - (v) Next enter the Image Verification as displayed and Click on Login.
 - (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any other company, then your existing password is to be used.
 - (vii) If you are a first time user follow the steps given below:

PAN	<p>For members holding shares in Demat Form and Physical Form</p> <ul style="list-style-type: none"> Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company / Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN Field.
Dividend Bank Details OR Date of Birth (DOB)	<p>Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.</p> <p>If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).</p>

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is also to be used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN (Electronic Voting Sequence Number) for Pioneer Distilleries Limited on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

NOTICE (CONTINUED)

- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out a print of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the changed login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL’s mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) A. Note for Non-Individual Shareholders and Custodians.
 - a. Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - b. A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - c. After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - d. The list of account(s) should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - e. A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.
- B. For members whose shareholding is in the Dematerialisation form and whose e-mail address is not registered with the Company/Depository Participants, members holding shares in Physical form as well as those members who have requested for a physical copy of the Notice and Annual Report, the following instructions may be noted:
 - (i) login details is provided at the bottom of the Attendance Slip for the AGM: EVSN (Electronic Voting Sequence Number);
 - (ii) Please follow all steps in Note 13A above to cast your vote.
- 14. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and voting user manual for Members available at the downloads section of helpdesk.evoting@cdslindia.com. The e-voting period commences on September 9, 2019 (09:00 a.m.) and ends on September 11, 2019 (5:00 p.m.) During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of September 05, 2019 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting after 05:00 p.m. on September 11, 2019.
- 15. The voting rights of Members shall be in proportion to their shares in the paid-up equity share capital of the Company as on the cut-off date of September 05, 2019.
- 16. Mr. Sudhir V Hulyalkar, Company Secretary in Practice (CP-6137); Address: 16/8, Ground Floor, 2nd Cross, Gupta layout, South End Road (Near South End Circle), Basavanagudi, Bengaluru 560004 has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- 17. The Scrutinizer shall, not later than 48 hours after the conclusion of the AGM, unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer’s Report of the votes cast in favour or against, if any, forthwith to the Chairperson/any other Director(s)/a person authorized by Chairperson of the Company.
- 18. The Results shall be declared on or after the AGM of the Company. The Results declared along with the Scrutinizer’s Report shall be placed on the Company’s

NOTICE (CONTINUED)

website - www.pioneerdistilleries.com and on the website of NSDL within forty eight (48) hours of passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.

19. Documents referred to in this Notice and the accompanying Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 a.m. to 5.00 p.m.) on all working days except Saturdays, up to and including the date of the AGM of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 3 and 4: Appointment of Mr. Ravi Varma as a Director and Managing Director:

Mr Ravi Varma, Managing Director of the Company, was appointed as an additional director in the capacity of Managing Director on the recommendation of the Nomination and Remuneration Committee with effect from 3rd October, 2018 for a period of two years at the board meeting held on 1st October, 2018 in place of Mr. B. V. Krishna Reddy consequent upon his resignation due to personal reasons. Pursuant to the provisions of Section 160, 161 and other applicable provisions, if any of the Companies Act, 2013 ('Act') and the Articles of Association of the Company approval of the members is required by way of Ordinary and Special Resolution for the respective resolutions no. 3 & 4.

Mr. Ravi Varma's competency, qualification and experience are provided in the disclosure relating to the directors pursuant to Regulation 36(3) of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Regulation') and Secretarial Standards on general meetings, which forms part of this notice.

Other disclosure to be provided in term of Section 196, 197 and 198 of the Act read with Schedule V and applicable Rules under the Act and SEBI Regulation, as the case may be are given below:

AI. Other disclosures to be provided in terms of Sections 196 to 198 read with Schedule V and applicable Rules under the Companies Act and SEBI Regulations, as the case may be are given below.

A. General Information:

- A.i. Nature of industry: Alcoholic Beverages
A.ii. Date or expected date of commencement of commercial production: Existing Company
A.iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable, Existing Company

- A.iv. Financial performance based on given indicators: The Key Financial Parameters of the Company as on March 31, 2019 is given below:

(Rs. In Lakhs)

Particulars	2018-19	2017-18
Gross sales	12,822.44	12,370.03
Add: Other operating revenue	1,015.70	1,129.95
Add: Other income	437.00	281.33
Total Income	14,275.14	13,781.31
Less: Cost of goods sold	9,356.65	10,263.00
Less : Excise duty	-	11.85
Less: Other costs	4,143.33	4,033.86
Earnings before government grant, depreciation, interest and taxes	775.16	-527.40
Add: Government grant	-2,686.18	16,685.44
Earnings before depreciation, interest and taxes	-1,911.02	16,158.04
Less: Interest costs	2,935.48	2,254.48
Less: Depreciation	4,861.00	3,661.16
Earnings before taxes	-9,707.50	10,181.40
Income tax expenses	-2,999.27	3,180.09
Other comprehensive income (Net of tax)	-13.00	42.00
Profit / (loss) available for appropriation	-6,721.23	7,043.31

Other Financial metrics are given in the Directors Report.

- v. Foreign investments or collaborations: Company is an indirect subsidiary of Diageo plc (through United Spirits Limited) which owns 75% of the paid-up equity capital of the Company.

B. Brief note about Mr Ravi Varma:

Background Details: Mr Ravi Varma has an Experience of about 25 years in Alcoholic Beverage and related Industries. Prior to moving to Pioneer Distilleries, he was with United Spirits Limited ('USL'), a Diageo group Company from January 2013 to September 2018, wherein he was responsible for handling manufacturing operations and operational excellence. He was instrumental in carrying out significant transformation of the sites, operations, overall performance & productivity, implementing Operational Excellence and team capability at Nacharam distillery of USL. He had worked with various Manufacturing Units in different functional as well as lead roles in Shaw Wallace Company (SWC) before heading Tie Up operations as Coordinator for AP Tie-up and played a major role in outsourcing SWC-USL synergy during merger, Before Moving to MGM Group as Manufacturing Head for MGM Andhra Pradesh Operations. He was on the board

NOTICE (CONTINUED)

as an Executive Director in Kakatiya Properties, Flax Hydro Energy (Lead Hydel Power-Project) and SML Beverages. He was also heading as a Chief Executive Franchise (M&S Bottling), Khoday's franchise partner for AP Mfg & Business in South – Heading Supply and Demand teams prior to his role in USL.

Mr. Varma is a management professional and graduate in Chemistry, having rich experience in the field of Alco Bev manufacturing and supply. His varied stints and large Business outlook gives him an added edge in preparing the Business for future. He has been instrumental in starting up various IML units and turning around difficult non profitable outsourcing locations into Profitable businesses for the Parent companies.

His tenure at PDL has been highly engaging and successful in resolving major challenges that were faced by the Company during the year. He Continues to pursue the implementation of the various compliance measures to ensure our Goal of transforming the Company to be The Most trusted and Best performing 'Grain to Glass' integrated Distillery in the country and as a Subsidiary of USL.

i. Past Remuneration:

The remuneration drawn by Mr Ravi Varma in the preceding three financial years 2016-17, 2017-18 and 2018-19 are given below:

SL. NO	Financial Year	Name of the Company	Remuneration (Amt in Rs.)
1.	2016-17	United Spirits Limited	50,73,464.00
2.	2017-18	United Spirits Limited	48,74,549.00
3	2018-19	United Spirits Limited & Pioneer Distilleries Limited	61,16,274.00

- ii. Recognition or Awards/Achievements: Mr. Varma has over 25 years of experience in the Alcoholic Beverage industry. He formerly was heading Site Manufacturing Operations of USL Nacharam and prior to that he had a challenging stint as a Chief Executive for South for Khoday's Franchise. In this position, Mr. Varma was instrumental in launching Khoday's Brands across South India, creating a lean manufacturing footprint across Andhra Pradesh (AP) & Tamil Nadu (TN). He steered premiumisation across Tamil Nadu market with new brand portfolio and created significant market penetration. He gathered significant

experience in his stint as a Director on board three other companies including one to enable successful execution of Power Project in Hassan. His stint with Shaw Wallace gave him functional and leadership exposure for about 12 years from 1993 to 2005 at various manufacturing locations.

His key achievements during his tenure at Shaw Wallace Company (SWC) were starting up of the Outsourcing sites, strategically move larger volumes, implementation of standards and enable delivering turnaround performances from each of those Units year after year. Each of the brand were localised for huge savings in logistics and to reach above a million mark with perfection and consistency. In his last assignment as Tie-up coordinator for AP, he executed the transition of SWC brand Outsourcing from Tie-up to royalty mode releasing cash flow and reduction of investments and interest costs. Also played a key role during the synergy of SWC and USL before moving as head of Manufacturing in AP. Earlier, during the stint in MGM Group he has taken additional challenge of the AP Sales of MGM brands, Bottling footprint in AP and a Distillery in TN turning around MGM operations from a loss making business to deliver double-digit growth.

- iii. Job profile and his suitability: In his current position he leads the transformation journey of the company, to become one of India's best performing, most trusted, respected and best in class 'Grain to Glass' integrated Distillation business. His focus has been around building trust amongst stake holders by delivering consistent performance, with a key focus on compliance and ethics in line with global standards. Mr Varma is backed by his rich experience of the industry trends, strategies and stint with USL on implementation of Manufacturing Excellence, productivity improvement and to steer the Company to deliver consistent improvement and sustainability in line with the Vision 2022.

The last three year's performance of the Company is reproduced below:

(Figures In Rs. Lakhs)

Financial Year	Gross Sales	Profit After Tax	Market Capitalisation
2018-19	12822.44	(7514.86)	21970.04
2017-18	12370.03	7043.31	22565.81
2016-17	9403.31	(3020.05)	19540.08

In the context of extraordinary environmental changes due to significant shortfall of raw material due to poor rainfall, opening of export of molasses

NOTICE (CONTINUED)

and permissions for supply of ethanol from captive sugar factories, strict adherence to environmental guidelines, regulatory changes like highway ban, alcohol exclusion in GST and its fall-out and the uncertainty caused by route to market changes in many states, the Company delivered an improved performance in the last couple of years. The focus has been on compliance and implementation of Global standards. In addition, the Company has also enhanced reach to improve community relations and closer coordination with authorities in rolling out various guidelines towards ease of doing business. The Company has taken various CSR initiatives, built a talented and inclusive work place and achieved significant progress.

- iv. Remuneration Proposed: Remuneration details are given in the Resolution no. 4
- v. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:

The remuneration paid to the CEO/MD of the following comparable Companies for the FY 2017-18 are given below for the purpose of comparison:

1.	Radico Khaitan	Rs. 5.38 Crores
2.	Som Distilleries	Rs 1.08 Crores
3.	Tilak Nagar Industries	Rs 8.2 Crores

- vi. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel: No pecuniary relationship other than the remuneration as stated above.

C. Other Information:

- i. Reasons for loss or inadequate profits:

The Company has been consistently challenged in its efforts to deliver the desired level of financial margins mainly due to various issues like environmental regulations and high dependency on the frequent changing government policies for enabling state revenue, increase in raw material costs, change in climatic conditions especially monsoon impact, subsidy realization, depreciation and interest on borrowings. Sustainability initiatives and adherence to the global standards for compliance also were rolled out to enable build trust amongst the community stake holders for reducing the interventions.

Apart from the above, the malt plant worked at sub-optimal capacity and the maintenance of the plant during the year affected the output from the factory.

Sl .no	Financial Year	Net profit under Section 198 (Previous Method)	Net profit under section 198 (Revised method due to the amendment with effect from September 12, 2018) [Cumulative Accumulated Loss]
1	2014-15	(3,365.47)	(10,515.11)
2	2015-16	3377.19	(7,137.92)
3	2016-17	(4,104.81)	(11,242.73)
4	2017-18	11,495.05	252.32
5	2018-19	(8,234.15)	(7,981.83)

- ii. Steps taken or proposed to be taken for improvement:

Pursuant to the approval of the Board of Directors of the Company, the Company has invited subject matter experts to thoroughly study and roll out action plan for a phased implementation of the must do activities so as to improve the process and compliance. An assessment of non-performing assets and their sale will help in generating cash into the system by moving out of non-performing old assets. A detailed action plan to reduce downtime through preventive maintenance & stand-by accessories, and reduce effluent discharge including its effective disposal is underway. Substantial price improvement on every product has been marked up to be achieved in the year ahead. Steps are also taken to achieve 80% capacity next year and 90% plus capacity thereafter which will significantly contribute to the bottom line (considering majority overheads are fixed).

First lot of matured malt will be sold during F20 wherein the sales realisation is likely to be higher. Ethanol plant is expected to commence production in F20 which will help PDL in leveraging on pricing through production based on market demand. Plant is proactively working with regulators in resolving matters that may pose operational challenges. Proceeds from subsidy is expected to bring down debt and reduce interest burden

- iii. Expected increase in productivity and profits in measurable terms:

The increase in the financial performance including the profitability over the last three financial years are given below which clearly show that the Company is on the high growth trajectory.

Financial Year	Gross Sales	Profit After Tax	Market Capitalisation
2018-19	12822.44	(6,721.33)	21,970.04
2017-18	12370.03	7,043.31	22,565.81
2016-17	9403.31	(3,020.05)	19,540.08

NOTICE (CONTINUED)

- iv. Professional capacity – The MD & CEO is functioning in a professional capacity possessing expertise and specialised knowledge with business capabilities and is not having any interest in the capital of the company. The MD & CEO does not have any direct or indirect interest or related to the directors or promoters of the Company or its holding Company at any time during the last two years before or on or after the date of appointment.
- v. Other parameters under Section 200 read with Rule 6 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.
- (1) The Financial and operating performance of the company during the three preceding financial years – Details provided in para C (iii) above.
 - (2) Remuneration drawn in any other capacity from the Company – Not Applicable
 - (3) Remuneration or Commission drawn by him from any other company – Not Applicable
 - (4) Professional qualification and experience – As indicated above in para B (i) and B (iii)
 - (5) The relationship between remuneration and performance – As shown in the Resolution No.3, substantial portion of the remuneration is in the form of performance based incentive (Annual Incentive Plan).
 - (6) The principle of proportionality of remuneration within the company, ideally by a rating methodology which compares the remuneration of directors to that of other directors on the board who receives remuneration and employees or executives of the company – The remuneration to the executives as well as to the MD and CEO are based on performance rating methodology which takes care of the benchmarks within and outside the Company. In addition, the nomination and Remuneration Committee benchmarks remuneration of comparable companies to the remuneration payable to the MD and CEO and recommends to the Board remuneration which meets that criteria.
 - (7) Whether remuneration policy for directors differs from remuneration policy for other employees and if so, an explanation for the difference – The two policies are different. The remuneration policy for directors covers a wide range of issues including their role to promote the objects of the Company and all

its stakeholders etc whereas, the remuneration policy for other employees are covered by the Company's applicable HR policies.

- (8) The securities held by the director, including options and details of the shares pledged as at the end of the preceding financial year – The MD and CEO does not hold any share of the Company and is not covered by stock options within the meaning of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

Reasons and justification for payment of remuneration – Please refer to detailed justifications and reasons in paras B (iv), B (vi), C (ii) and C (iii) above

No director, key managerial personnel or their respective relatives, except Mr Ravi Varma, to whom the resolution relates, is interested or concerned, financially or otherwise, in the resolution. Mr Ravi Varma does not hold, by himself or for any other person on a beneficial basis any shares in the Company.

Your Directors recommend the Ordinary resolution set forth in Item No. 3 and special resolution set out in Item No. 4 for your approval.

Item No. 5: Appointment of Ms. Srivathsala K N as a Director:

Ms. Srivathsala K N, Director of the Company, who was appointed as an additional director in the capacity of Independent Director with effect from 2nd October, 2018 for a period of five years at the board meeting held on 1st October, 2018 in place of Ms. Junia Sebastian consequent upon her resignation due to personal reasons. Pursuant to the provisions of Section 161 of the Companies Act, 2013, any director appointed as an additional director at a board meeting will hold office of additional director up to the date of ensuing Annual General Meeting. Accordingly, it is proposed to appoint Ms. Srivathsala K N as an Independent director pursuant to Section 149, 160, 161 and other applicable provisions, if any of the Companies Act, 2013 and the Articles of Association of the Company.

Ms. Srivathsala's competencies, qualification and experience are provided in the disclosure relating to the directors pursuant to Regulation 36(3) of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on general meetings, which forms part of this notice.

No director, key managerial personnel or their respective relatives, except Ms. Srivathsala K N, to whom the resolution relates, is interested or concerned, financially or

NOTICE (CONTINUED)

otherwise, in the resolution. Ms. Srivathsala K N does not hold, by herself or for any other person on a beneficial basis any shares in the Company.

Your Directors recommend the Ordinary resolution set forth in Item No. 5 for your approval.

Item No. 6: Availing loans and take guarantee from Related Party:

Pioneer Distilleries Limited (PDL), a listed subsidiary (with 75% holding) of United Spirits Limited (USL), is in the business of manufacturing and selling Extra Neutral Alcohol (ENA) (both Molasses and Grain based) and Malt Spirit. PDL also carries bottling on behalf of USL for supply in the State of Maharashtra. PDL is a strategic partner of USL as it supplies key raw materials in the state of Maharashtra. PDL has in recent past, carried out significant capital expansion and overhauling of its plant. Operations are currently in the process of stabilisation. PDL is eligible for Grant from the Government of Maharashtra for the capital expenditure made. Plant was earlier expected to stabilise and deliver profits from financial year (FY) 2020. However, due to several operational challenges as explained in Clause 'C' - other information, in the explanatory statement relating to Item No. 3 & 4 of the businesses to be transacted, plant continues to report cash losses and is expected to reach steady state by FY 2022. To support capital expansion & operations, PDL has availed loan of INR 135 Crs from USL and INR 350 Crs limit of loan from Deutsche Bank (DB). INR 234 Crs has been availed till date from DB against this facility.

The said DB facility was extended in the backdrop of Letter of Comfort from USL & anticipated improvement in performance for FY 2019 & FY 2020 onwards. Considering the support required for PDL's operations this proposal is proposed as an enabling provision to augment the ability of PDL to raise resources to face any eventuality in future.

The existing limits and revised limits are summarised below:

(Amount in Rs. Crores)

S. No.	Particulars	Existing Limits	Additional Limits Proposed	Revised Aggregate Limits
1.	Loan from USL	285	200	485
2.	Guarantee from USL	150	200	350

Aforesaid proposals i.e., availing of loan from USL and to take corporate guarantee from USL are planned to provide the required flexibility in funding. The guarantee commission payable will be at prevailing market rate from time to time and shall be within the range of 0.25% to 0.75% p.a.

The above proposal is within the overall limit previously approved by the members pursuant to the provisions of

Section 180 of the Companies Act, 2013 of the resolution passed by the members on 26th September 2014.

The related party, viz., holding company cannot vote in favour of the resolution as proposed and if voted in favour, the same will not be taken into cognizance.

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

Your Directors recommend the ordinary resolution set forth in Item No. 6 for your approval.

By Order of the Board

Bengaluru
July 18, 2019

Akshara B L
Company Secretary

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

Brief profile of the Directors

Ravi Varma (Managing Director)

Name of Director	Mr. Ravi Varma
Date of Birth	June 09, 1971
Age	48 years
Date of Appointment	3 rd October, 2018
Expertise in specific functional Areas	Handling Manufacturing and operational Excellence
Experience	25 years in Alcoholic Beverage Industry
Qualifications	Science Graduate from Osmania University. Pursuing MBA in Supply Chain Management from Narsee Monjee.
No. of Board meetings attended	3
List of other Indian Directorships held	1
* Chairperson/ Member of the Committee of the Board of Directors of the Company	2
* Chairperson/ Member of the Committee of the Board of Directors of other companies in which he is a Director	NIL
a. Audit Committee	NIL
b. Stakeholders Relationship Committee	1
No. of Shares held in the Company	NIL

NOTICE (CONTINUED)

Relationship with other Directors/ Manager/ Key Managerial Personnel	NA
Terms and Conditions of appointment or re-appointment	Same as mentioned in resolution no. 3 & 4 and Explanatory statement
Details of Remuneration sought to be paid	Same as mentioned in resolution no. 4 and Explanatory statement
Last drawn remuneration	CTC 59,69,805/- PA

Mr Ravi Varma has an Experience of about 25 years in Alcoholic Beverage Industry. Prior to moving to Pioneer Distilleries, he was with United Spirits Limited (USL), presently a Diageo group company from January 2013 to September 2018, wherein he was responsible for handling manufacturing operations and operational excellence. He was instrumental in carrying out significant transformation of the sites, operations, overall performance & productivity, implementing Operational Excellence and team capability at Nacharam distillery of USL. He had worked with various companies in different roles in Shaw Wallace and as Manufacturing Head of MGM Unit in Andhra Pradesh. He was on the board as an Executive Director in Kakatiya Properties, Flax Hydro Energy (Lead Hydel Power-Project) and SML Beverages. He was also heading as a Chief Executive Franchise (M&S Bottling), Khoday's franchise partner for south handling Business - Supply and Demand teams while Heading Business in South prior to his role in USL.

Ajay Goel:

Name of Director	Mr. Ajay Goel
Date of Birth	December 04, 1975
Age	44 years
Date of Appointment	7 th March, 2018
Expertise in specific functional Areas	Accounts, Finance, Treasury, Taxation and Risk Management
Experience	18 Years of diversified Experience
Qualifications	Commerce Graduate, Chartered Accountant and Company Secretary
No. of Board meetings attended	5
List of other Indian Directorships held	1
* Chairperson/ Member of the Committee of the Board of Directors of the Company	1
* Chairperson/ Member of the Committee of the Board of Directors of other companies in which he is a Director	NIL
a. Audit Committee	NIL

b. Stakeholders Relationship Committee	NIL
No. of Shares held in the Company	NIL
Relationship with other Directors/ Manager/ Key Managerial Personnel	NA
Terms and Conditions of appointment or re-appointment	Nominee director of United Spirits Limited liable to retire by rotation and not entitle for sitting fees and remuneration.
Details of Remuneration sought to be paid	NA
Last drawn remuneration	NA

Ajay Goel is Executive Vice President and Finance Controller for United Spirits Limited (USL) – a Diageo Group Company and is part of Diageo India Leadership Team. He is responsible for controllership, taxation, treasury, risk management functions for USL and governance of 18 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, Controllership, 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.

Srivathsala K N:

Name of Director	Ms. Srivathsala K N
Date of Birth	December 03, 1976
Age	43 years
Date of Appointment	2 nd October, 2018
Expertise in specific functional Areas	Business strategy and Financial Management
Experience	14 years
Qualifications	Post-graduate degree in Commerce from Bangalore University
No. of Board meetings attended	3
List of other Indian Directorships held	5
* Chairperson/ Member of the Committee of the Board of Directors of the Company	4
* Chairperson/ Member of the Committee of the Board of Directors of other companies in which she is a Director	NIL

NOTICE (CONTINUED)

a. Audit Committee	NIL
b. Stakeholders Relationship Committee	NIL
No. of Shares held in the Company	NIL
Relationship with other Directors/ Manager/ Key Managerial Personnel	NA
Terms and Conditions of appointment or re-appointment	Appointed as an Independent Director for a term of Five Years with effect from 2 nd October, 2018 and eligible for sitting fees and remuneration subject to Section 197 & 198 of Companies Act, 2013
Details of Remuneration sought to be paid	NA
Last drawn remuneration	NA

Ms. Srivathsala is an Entrepreneur and an Angel Investor. She is Mentoring many companies in the area of business strategy and Financial Management. She is also founder of four organisations.

As a mentor she guides entrepreneurs on how to start and grow a profitable business that make a positive impact.

She helps them to recognise great business ideas/models from amongst flurry of possible business avenues. She also helps to build a fast-growing organisation on a foundation of strong cultural values.

She is also a mentor at Prahlad Kakkar's Institute of Branding and Entrepreneurship and IIT Mumbai, she has been interacting with students at various levels on financial planning and entrepreneurship. She has conducted various Training and Awareness Programs on Entrepreneurship and Financial Literacy for corporates, public and Students. She is a noted speaker on the topic of Financial Planning and Entrepreneurship in reputed forums such as SEBI, National Stock Exchange, Times Foundation, The Christ University, RBI, Bank of India, many IT companies and WEConnect. Srivathsala's views are quoted in Times of India, Hindu Business Line, Economic Time, Mint etc. She is a Certified Financial Planner and holds a Post-graduate degree in Commerce from Bangalore University. She is also an Institute of Chartered Accountants India's qualified "Accounting Technician"

**Note: Includes membership in other Committees apart from Audit and Stakeholders Relationship Committee.*

By Order of the Board

Bengaluru
July 18, 2019

Akshara B L
Company Secretary

Route Map to The Capitol Hotel



Venue:
The Capitol, No.3, Raj Bhavan Road,
Bengaluru – 560 001

PIONEER DISTILLERIES LIMITED
(a subsidiary of United Spirits Limited)

26th
Annual Report
2018-19

संस्थापक अध्यक्ष
उद्योग संस्थापक

उद्योग संस्थापक
उद्योग संस्थापक



Managing Director's Message

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our Annual Report for the Financial Year 2018-19. This has been a year of further strengthening our compliance, improve operational stability and Cost of Goods Sold (COGS) to deliver improved financial performance.

It was a highly challenging and complex year but also extremely exciting as well. I am able to draw strength from my past experience which has provided me immense insights into the business of the Company apart from the experience gained during the transformation journey into Diageo's Global practices, which has helped in integrating the global best business practices with the company's manufacturing setup.



This is a validation of our Company's transformation journey with a clear focus on following four Important Priorities:

- Compliance
- Organisation and People
- Manufacturing Excellence
- Reliability and consistency.

It is also a testimony to the strong capabilities we have built over the years, as well as the quality of talent now in the Company. Despite several regulatory challenges which impacted the industry last year, we posted improvement in our performance, underlined by growth in external net sales after adjusting for operating model changes. We delivered an enhancement of Gross Margin which was made possible through price advantage from raw material cost, mitigation of risks from the various environmental and external interventions through policy advocacy, a relentless focus on productivity and realization of headline pricing.

I am happy to share that this year has been strong in terms of pricing, a major challenge for our industry in general. Effective engagement between the industry and rest of stakeholders lead to absolute pricing gains and storing of additional raw material to take advantage of the seasonal availability.

Strengthening the operational focus 'Grain to Glass'

Our performance has been driven with focus on the four Key Operational areas – production of Extra Neutral Alcohol (ENA) from Grain, ENA from Molasses, production of best in Class Malt Spirit and largescale inhouse maturation. The Maturation process is constantly monitored, and the Spirit was rated as the finest in Industry by Diageo India's Technical centre and shall be game changer for future growth including manufacturing Indian Made Liquor (IML) Brands for United Spirits Limited.

Parallely, we made further progress on our 'fit for purpose' operating model in the above areas of operation. On-time seasonal purchase, taking competitive advantage by ensuring consistent quality of ENA.

Our margins are heavily dependent on the Government policies which are more oriented towards increasing the revenue of the Government, change in climatic conditions especially monsoon impact, subsidy realization, depreciation and interest on borrowings. In light of the above, I am glad to announce that with support of United Spirits Limited and Diageo, we are now creating a roadmap to minimize the impact, enable sustainability and reduce dependency on the above by increasing operational stability and efficiencies as a key towards consistent earnings.

Despite the turbulent year, we focused our investments in improving processes, Zero Liquid Discharge (ZLD), environmental compliance, to ensure predictability in operations and reduction of unpredictable stoppages. We have carried out efficiency evaluation on the energy front and the recommendations shall be taken forward and implemented

for transforming your company to be amongst the 'Best Energy Efficient and Sustainable Units' amongst the Diageo's global facilities.

Your company has immense potential being United Spirits Limited's (USL's) only integrated plant that handles "Grain to Glass" and started the journey to achieve the Vision 2021 with a clear roadmap for transformation to become the most trusted and respected amongst ENA, Malt Spirit and IML manufacturing companies in India.

Our role in society

We constantly endeavour to reduce the harm caused by irresponsible consumption of alcohol and enable the people to make a positive contribution to society. I am pleased to inform that this year we have seen more engagements from local communities, government agencies, traffic police, enforcement agencies, media and reputed not-for-profit organizations on major initiatives taken by the Company towards road safety, provision of safe drinking water during summer, repairing of access roads, desilting of rivers, teaching skills to women and providing bore wells.

Your Company is supported by United Spirits Limited in its commitment to minimising the environmental impact across its operations. We are proud of the progress we are making on Key Performance Indicators (KPI) towards our environmental initiatives. Our achievements in India include reducing carbon emission by 50%, improving water conservation by 40% and recycling 95% of solid waste compared to 2017, when we began this journey.

Building a talented and inclusive workplace

Our commitment to enable employees to 'be the best they can be' as a core principle. At the core of our business strategy we continue to invest in training, exposing people to new technologies and in process improvement methodologies. We have created a roadmap and are in the process of launching policies, competitive reward programmes, coaching and wellbeing initiatives for empowering the employees. Indeed, our achievements in this challenging year bear testimony to the quality of talent in the Company, our growing reputation as an employer, and our focus on leadership development.

I also take the opportunity to welcome our new independent director Ms. Srivathsala into the Board, which I believe would strengthen the Board functioning and get multiple perspective of any issue.

Proud to be PIONEER

As we started our transformation journey, we aimed to make your Company one of India's best performing, most trusted and respected companies in India and the best in class 'Grain to Glass' integrated business setup. I am pleased to report the significant progress made towards reaching our goal and the onward roadmap for 2021.

I would like to conclude by saying that our core aim is to bring in a significant change in the general perspective of the society towards spirit manufacturing sector and to leave a legacy of a business which will sustain on the core foundations of ethical standards and sustainability. We are ready to embrace the opportunities of tomorrow and to map the next phase of our journey.

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 who relentlessly strived against odds and 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.

Thank you for standing by us in this challenging journey.

Yours sincerely,

May 13, 2019
Bengaluru

Ravi Varma
Managing Director

Board of Directors



Mr. R. Krishnamurthy
(Chairman)



Mr Ravi Varma
(Managing Director)



Ms. Srivathsala K.N.
(Independent Director)



Ms. Mamta Sundra
(Non-Executive Director)







Mr. Ajay Goel
(Non-Executive Director)



Mr. Sanjeev Kumar Gupta
(Non-Executive Director)

Committee Membership

-  Audit and Risk Management Committee
-  Stakeholders Relationship Committee
-  Nomination and Remuneration Committee
-  Corporate Social Responsibility Committee

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. Ravi Varma, *Managing Director*

Mr Ravi Varma has an experience of about 25 years in alcoholic beverages and other related industries. Prior to moving to Pioneer Distilleries, he was with United Spirits Limited, presently a subsidiary of Diageo plc from January 2013 to September 2018, wherein he was responsible for handling manufacturing operations & Operational Excellence. He was instrumental in carrying out significant transformation of the sites, operations, overall performance & productivity, implementing operational excellence and team capability at Nacharam distillery of United Spirits Limited. He had worked with various companies in different roles in Shaw Wallace and as Manufacturing Head of MGM Unit in AP. He was on the board as an Executive Director in Kakatiya Properties, Flax Hydro Energy (Lead Hydel Power-Project) and SML Beverages. He was also heading as a Chief Executive Franchise (M&S Bottling) Khoday's franchise partner for south handling Business - Supply and Demand teams while Heading Business in South prior to his role in United Spirits Limited.

Mr. Varma is a Science graduate and has a rich experience in the field of manufacturing and supply in Alco Bev industry.



Ms. Srivathsala K.N., *Independent Director*

Ms. Srivathsala is an Entrepreneur and an Angel Investor. She is Mentoring many companies in the area of business strategy and Financial Management. She is also founder of four organisations.

As a mentor she guides entrepreneurs on how to start and grow a profitable business that make a positive impact. She helps them to recognise great business ideas/models from amongst flurry of possible business avenues. She also helps to build a fast-growing organisation on a foundation of strong cultural values.

She is also a mentor at Prahlad Kakkar's Institute of Branding and Entrepreneurship and IIT Mumbai, she has been interacting with students at various levels on financial planning and entrepreneurship. She has conducted various Training and Awareness Programs on Entrepreneurship and Financial Literacy for corporates, public and Students. She is a noted speaker on the topic of Financial Planning and Entrepreneurship in reputed forums such as SEBI, National Stock Exchange, Times Foundation, The Christ University, RBI, Bank of India, many IT companies and WEConnect. Srivathsala's views are quoted in Times of India, Hindu Business Line, Economic Time, Mint etc.

She is a Certified Financial Planner and holds a Post-graduate degree in Commerce from Bangalore University. She is also an Institute of Chartered Accountants India's qualified "Accounting Technician"



Ms. Mamta Sundara, *Non- Executive Director*

Ms. Mamta Sundara has 16 years of experience as a legal professional working in India, Singapore and London across diverse 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 all legal support for the South East Asia business of the Global Services division of British Telecom.

Ms. Mamta Sundara is a law graduate from the National Law School of India University, Bangalore



Mr. Ajay Goel, *Non- Executive Director*

Mr. 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 controllership, taxation, treasury, risk management functions for USL and governance of 17 subsidiaries network of United Spirits Limited.

He has around 18 years of diversified work experience with Nestle, Coca-Cola, GE and now with United Spirits Limited. 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, Controllership, Supply Finance and as CFO.

Prior to joining United Spirits Limited, 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.



Mr. Sanjeev Kumar Gupta, *Non- Executive Director*

Mr. Sanjeev 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 United Spirits Limited.

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.

CONTENTS

<u>Particulars</u>	<u>Page No.</u>
Report of the Directors	1
Corporate Governance Report	8
Management Discussion and Analysis Report	24
Independent Auditor's Report	50
Balance Sheet	59
Statement of Profit and Loss	61
Statement of Changes in Equity	62
Cash Flow Statement	63
Notes to the Financial Statements	65

BOARD OF DIRECTORS:

R Krishnamurthy

Chairman

Ravi Varma

Managing Director

Srivathsala K N

Mamta Sundara

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:

'UB Tower', Level 10, #24,

Vittal Mallya Road, Bangalore-560001.

Tel No. +91 80 3985 6905

Fax No. +91 80 3985 6862

**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

Dear Members,

Your Directors have pleasure in presenting the 26th Annual Report of your Company and the audited financial statements for the year ended March 31, 2019.

FINANCIAL RESULTS

The Summary of Financial Performance of the Company for the year 2018-19 is as under:

(INR in Lakhs)

Particulars	2018-19	2017-18
Gross sales	12,822.44	12,370.03
Add: Other operating revenue	1,015.70	1,129.95
Add: Other income	437.00	281.33
Total Income	14,275.14	13,781.31
Less: Cost of goods sold	9,356.65	10,263.00
Less : Excise duty	-	11.85
Less: Other costs	4,143.33	4,033.86
Earnings before government grant, depreciation, interest and taxes	775.16	-527.40
Add: Government grant	-2,686.18	16,685.44
Earnings before depreciation, interest and taxes	-1,911.02	16,158.04
Less: Interest costs	2,935.48	2,254.48
Less: Depreciation	4,861.00	3,661.16
Earnings before taxes	-9,707.50	10,181.40
Income tax expenses	-2,999.27	3,180.09
Other comprehensive income (Net of tax)	-13.00	42.00
Profit / (loss) available for appropriation	-6,721.23	7,043.31

DIVIDEND

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

BOARD MEETINGS

During the year under review, seven 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.

PERFORMANCE OF THE COMPANY

The Company has achieved a gross sales of INR 12,822.44 Lakhs for the financial year ended March 31, 2019 against the gross sales of INR 12,370.03 Lakhs for the financial year ended March 31, 2018. The Company has reported a loss of INR 9,707.50 Lakhs before tax due to intermittent breakdowns in plant machineries, external challenges leading to frequent shutdowns and delay in stabilisation of operations.

Report of the Directors (Contd.)

DEPOSITORY SYSTEM

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on March 31, 2019, equity shares representing 98.18% 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 1st April 2019, 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

Pursuant to the provisions of the Companies Act, 2013 (the Act), Mr. Ajay Goel retires by rotation and, being eligible, offered himself for re-appointment.

Mr. B.V Krishna Reddy, who was re-appointed as Managing Director with effect from September 21, 2018 had resigned due to personal reasons with effect from the close of business hours on October 2, 2018. The Board of directors at their meeting held on 1st October 2018, appointed Mr Ravi Varma as Managing Director in place of Mr B V Krishna Reddy with effect from October 3, 2018. The appointment of Ravi Varma as Managing Director was subject to approval of the members of the Company at the ensuing Annual General Meeting of the Company. Accordingly, it is proposed before the members of the Company to approve the appointment of Mr Ravi Varma as the Managing Director of the Company for a period of two years with effect from October 3, 2018.

Ms Junia Sebastian resigned due to personal reasons with effect from the close of business hours on October 1, 2018. She has confirmed that there are no material reasons other than specified reason.

Ms. Srivathsala K N was appointed as an Independent Director with effect from October 2, 2018. Her appointment is subject to approval of the members of the Company at the ensuing Annual General Meeting of the Company. Accordingly, it is proposed before the members of the Company to approve the appointment of Ms. Srivathsala K N for a period of five years with effect from October 2, 2018.

The Nomination and Remuneration Committee has recommended the re-appointment and appointment as stated above, which has been provided in the notice to AGM.

A brief profile of Mr. Ajay Goel, Mr Ravi Varma and Ms. Srivathsala K N 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.

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 2018-19 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

The Company had, on July 26, 2018, received directions ("Closure Direction") from Maharashtra Pollution Control Board ("MPCB"), directing 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 had filed a writ petition before the Hon'ble High Court of Judicature of Bombay, Aurangabad Bench and subsequently approached National Green Tribunal ("NGT") at Delhi against the Closure Direction. NGT had, vide its order dated August 03, 2018 directed the Company to put forward its viewpoint for consideration before the MPCB in accordance with law. The MPCB after hearing the Company vide its direction dated August 29, 2018 was pleased to accept the Company's submissions subject to fulfilment of certain conditions within specified timelines. The Company has complied with the said conditions and has submitted final completion report to MPCB on December 12, 2018.

During the year, the Company got approval of the members for shifting of Registered Office from the state of Telangana to state of Karnataka for which order of the authority for formal approval was obtained.

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.

Report of the Directors (*Contd.*)

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

There are no loans given, investments made, guarantees given, securities provided by the Company and acquired by way of subscription, purchase or otherwise securities of any other body corporate which are covered under the provisions of the Section 186 of the Companies Act, 2013.

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 24th AGM held on 28 July 2017 for a period of 5 years till the conclusion of the 29th 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 not required and hence dispensed with ratification of the appointment of Auditors.

SECRETARIAL AUDITORS

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Mr. Sudhir V Hulyalkar, a Company Secretary in Practice (FCS: 6040 [CP No. 6137]) to undertake the Secretarial Audit of the Company for the Financial Year 2018-19. The Secretarial Audit Report is given as **Annexure 2**, forming part of this Report.

In addition, the company has also obtained Secretarial Compliance Report for the year ended March 31, 2019 in terms of the SEBI Circular issued on February 08, 2019. The said report has been submitted to the stock exchanges and is also available on the Company's website www.pioneerdistilleries.com

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 behaviour in all its business activities and has put in place a mechanism for reporting illegal or unethical behaviour. The Company has a Whistle blower mechanism under which the employees and directors are free to report violations of applicable laws and regulations and the Code of Conduct and as part of the mechanism all the employees are provided access to the Chairman of the Audit

Report of the Directors (*Contd.*)

Committee. The Whistle Blower Mechanism of the Company can be accessed on the website at the following link: 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 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 of 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 2019-20 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 2019.

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.

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

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.

Report of the Directors (*Contd.*)

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 Corporate Social Responsibility (CSR) committee has been setup by the Company. The composition and other details have been provided in the Corporate Governance Report.

We as a genuine contributor to this cause, are pleased to inform that this year, we have witnessed increasing participation from the state governments traffic police and enforcement agencies in the Company's CSR activities. In our endeavour to create respect and trust in the society in which the Company is operating, your company is presently carrying out various activities under Corporate Social Responsibility ("CSR") Program. The Company will continue to meet its social objectives by spending on the following CSR activities in the vicinity of the Company's factory:

1. Canal clean-up work near Balapur
2. Safe drinking water for people - "Pani Poi"
3. Hiring of Escavator and Tractor for desilting of nearby ponds.
4. Digging of borewells at Dharmabad.

The Company had reported profits in previous financial year in the backdrop of income booked with respect to Government Grant. This Government Grant is not received by the Company yet. Operationally, the Company continues to report losses and is operating on working capital borrowed from banks and intercorporate loans and advances from the holding company. The Company will spend the unspent CSR amount of INR 51.35 lacs, for the financial year ended March 31, 2019, once the operations are stabilised and the operations starts generating cash.

Furthermore, as required by section 135 of the Companies Act, 2013 and the rules made hereunder, additional information on the policy and implementation of CSR activities by your Company during the year are provided in **Annexure 6** to this report.

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 (POSH) 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, 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 134 (5) of the Companies Act, 2013 in relation to financial statements (together with the notes to such financial statements) for the year 2018-19, the Board of Directors report that:

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

Report of the Directors (*Contd.*)

- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/ loss of the Company for that period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the financial statements on a going concern basis;
- (v) the Directors have laid down internal financial controls to be followed by the Company commensurate with the size and nature of its business and the complexity of its operations and that such internal financial controls are adequate and are operating effectively.
- (vi) the Directors has devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and is operating 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
May 13, 2019

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.

Board confirms that in their opinion and as per the declaration received from the independent directors of the Company, the independent directors of your Company fulfils the conditions specified in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the management.

Your Company has a balanced mix of executive, non- executive and Independent Directors from diverse backgrounds, which enables the Board to discharge its duties and responsibilities in an effective manner. The Board has set the following yardsticks in the context of its business and for its effective functioning:



Strategy: Directors help develop proposals on strategy;

Performance: Directors review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

Risk Management: Integrity of financial information and that financial controls and systems of risk management are robust and defensible;

People: Determining appropriate levels of remuneration of Executive Director(s), Key Managerial Personnel and senior management and play a prime role in appointing, and retaining Executive Directors, Key Managerial Personnel and senior management and in succession planning;

Compliance: Maintain checks over the governance, and compliance with the applicable legislation and regulations and the conformity of the Company's practices to accepted governance norms.

The directors' strive to achieve the above through insights obtained from a combination of experience and expertise in their respective areas such as knowledge in the areas of FMCG, Investment Banking, legal, finance, administration, technical knowledge and Global exposure.

During the financial year under review, seven Board Meetings were held i.e. on April 24, 2018, July 07, 2018, September 21, 2018, October 1, 2018, November 11, 2018, January 30, 2019 and March 19, 2019 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 2018-19 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:

Corporate Governance Report (Contd.)

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM held on Sept 21, 2018	Number of other Companies in which Director (other than the Company)	No of Committees (other than the Company) as Chairperson/ Member*	Directorship in other listed Company and Category of Directorship
Mr. R. Krishnamurthy	Chairman and Non-Executive Independent Director	7	Yes	1	3	Izmo Limited (Independent Director)
Mr. B.V. Krishna Reddy ⁺	Managing Director	3	Yes	Nil	NA	-
Mr. Ravi Varma [#]	Managing Director	3	NA	1	NA	-
Ms. Junia Sebastian ⁺⁺	Non-Executive Independent Director	5	Yes	2	1	-
Ms. Mamta Sundara	Non-Executive Director	6	Yes	0	NA	-
Ms. Srivathsala ^{##}	Non-Executive Independent Director	3	NA	5	0	-
Mr. Sanjeev Gupta	Non-Executive Director	7	Yes	0	0	-
Mr. Ajay Goel	Non-Executive Director	5	No	1	1	-

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

+ *Resigned as a Director and Managing Director w.e.f October 02, 2018*

Appointed as an Additional Director and Managing Director w.e.f October 03, 2018

++ *Resigned as an Independent Director w.e.f October 01, 2018*

Appointed as an Independent Director w.e.f October 02, 2018

NOTE:

- The above details are in respect of their Directorships only in Companies incorporated in India.
- None of the Directors of the Company are related to any other Director.

Ms Junia Sebastian resigned due to personal reasons with effect from the close of business hours on October 1, 2018. She has confirmed that there are no material reasons other than specified reason.

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.

Corporate Governance Report (Contd.)

3. AUDIT AND RISK MANAGEMENT COMMITTEE:

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

Mr. R. Krishnamurthy Chairman

Ms. Srivathsala K N

Mr. Ajay Goel

During the year Ms. Junia Sebastian resigned as an Independent Director and from the committee effective October 01, 2018. In her place, Ms. Srivathsala was appointed as an Independent Director and member of this committee with effect from October 2, 2018. The Committee, inter alia, has reviewed the Financial Statements including Auditors' Report for the year ended March 31, 2019 and has recommended its adoption. In addition, the Committee has also reviewed Unaudited Quarterly Results for June 30, 2018, September 30, 2018 and December 31, 2018, 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, four meetings of the Audit and Risk Management Committee were held i.e. on April 24, 2018, July 30, 2018, November 11, 2018 and January 30, 2019 and 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 entitled	Meetings attended
Mr. R. Krishnamurthy (Chairman)	4	4
Ms. Srivathsala*	2	2
Mr. Ajay Goel	4	2
Mr. B V Krishna Reddy®	1	1
Ms. Junia Sebastian#	2	2

Corporate Governance Report (Contd.)

- * Srivathsala was appointed as member of the Committee with effect from October 2, 2019
- @ B V Krishna Reddy ceased to be a member of the Committee with effect from close of business hours on July 1, 2018
- # Junia Sebastian ceased to be a member of the Committee with effect from close of business hours on October 1, 2018

4. NOMINATION AND REMUNERATION COMMITTEE

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

Ms. Srivathsala	Chairperson
Ms. Mamta Sundara	
Mr. R. Krishnamurthy	

Ms Junia Sebastian resigned as an Independent Director and from the Committee effective October 01, 2018. In her place Ms Srivathsala has been appointed as an Independent Director and Chairperson of this committee with effect from October 2, 2018. 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:

- a) 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.
- b) Approve and recommend matters relating to compensation by way of salary, perquisites, benefits etc., to the Managing/Whole Time/Executive Directors of the Company.
- c) 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.
- d) Shall review and recommend to the Board of Directors for approval any mandatory disclosures of the Management compensation.
- e) 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.
- f) Shall approve any share incentive plans for the employees of the Company.

During the Financial Year under review, one meeting of the Nomination and Remuneration Committee was held on September 21, 2018 which was attended by Ms. Junia Sebastian, Ms. Mamta Sundara and Mr. R. Krishnamurthy.

Remuneration of Directors:

a) Executive Director and Managing Director: Mr. Ravi Varma

The Board of directors at their meeting held on 1st October 2018, appointed Mr Ravi Varma as Managing Director in place of Mr B V Krishna Reddy with effect from 3rd October 2018 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 26th Annual General Meeting to be held on September 12, 2019.

Corporate Governance Report (Contd.)

Mr. B.V Krishna Reddy, who was re-appointed as Managing Director with effect from September 21, 2018 had resigned due to personal reasons with effect from the close of business hours on 2nd October 2018.

The remuneration paid to Mr. B.V. Krishna Reddy and Mr. Ravi Varma, Managing Director during the year ended March 31, 2019 are 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 (INR)
Mr. R. Krishnamurthy	3,25,000
Ms. Srivathsala*	1,40,000
Ms. Junia Sebastian [#]	1,85,000
Ms. Mamta Sundara	Nil
Mr. Ajay Goel	Nil
Mr. Sanjeev Gupta	Nil

* Appointed with effect from October 2, 2018

[#] Ceased to be an independent director with effect from close of business hours on October 1, 2018

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 Chairperson

Ms. Srivathsala

Mr. Ravi Varma

Mr. Akshara B L, Company Secretary, acts as Compliance Officer.

Consequent to resignation of Mr. B.V Krishna Reddy and keeping in view of the Kotak Committee recommendation, this committee was reconstituted wherein Mr. Ravi Varma was appointed in place of Mr. B.V Krishna Reddy and Ms. Srivathsala was appointed in place of Ms. Junia Sebastian effective November 09, 2018. The terms of reference of the Committee inter alia include specifically to look into redressing of the Shareholders Grievances like non-receipt of Annual Report, non-receipt of Dividends, non-receipt of Share Certificates and shall operate and cover areas as may be prescribed under the Companies Act, 2013 and other applicable regulations from time to time. The role of the Committee shall inter-alia include the following:

Corporate Governance Report (Contd.)

- a) Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- b) Review of measures taken for effective exercise of voting rights by shareholders.
- c) Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- d) Review of the various measures and initiatives taken for reducing the quantum of unclaimed dividends, if any and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

The Committee met once during the year on April 24, 2018. Ms Mamta Sundara and Mr. B V Krishna Reddy attended the meeting.

The Company/Company's Registrars have not received any complaints during the Financial Year 2018-19. Also, there were no complaints pending relating to transfer of shares as on March 31, 2019.

6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

Ms. Srivathsala	Chairperson
Mr. Ravi Varma	
Ms. Mamta Sundara	

Since Ms. Junia Sebastian and Mr. B.V Krishna Reddy resigned from their respective post, the committee has been re-constituted with Ms. Srivathsala and Mr. Ravi Varma appointed in their place. The Committee did not meet during the year.

7. GENERAL MEETINGS

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

Financial Year ended	Date	Time	Venue
March 31, 2018	September 21, 2018	12.30 noon	Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016
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

The following Special Resolutions were passed by the Shareholders at the above three AGMs.

AGM held on	Subject matter of the resolution
September 21, 2018	Appointment of Mr B.V Krishna Reddy as a Managing Director for a further period of two years.
July 28, 2017	No special resolution was passed at this meeting
September 26, 2016	No special resolution was passed at this meeting

Corporate Governance Report (Contd.)

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.

The following resolution was passed through postal ballot during the financial year 2018-19 and the result of the Postal Ballot exercise is provided below:

Date of Notice of Postal Ballot	Date of Result	Period of Voting	Description	Result	Voting pattern (% in favour of resolution)
November 09, 2018	January 22, 2019	December 23, 2018 to January 21, 2019	1) Alteration of Registered Office Clause in the Memorandum of Association	Special resolution passed with the requisite majority.	99.98
			2) Shifting of Registered Office of the Company from Hyderabad in the State of Telangana to Bengaluru in the State of Karnataka	Special resolution passed with the requisite majority	99.98
			3) Approval for entering into Related Party Transaction with United Spirits Limited for availing financial assistance in the form of loan	Ordinary resolution passed with the requisite majority	99.66

Mr. Sudhir Hulyalkar was the scrutinizer for the aforesaid postal ballot exercise. The procedure for postal ballot exercise were explained in detail to the members for voting through postal ballot.

8. 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. However, the related party transaction for which special approval of the shareholders was obtained through postal ballot as stated in the table above pursuant to the requirement under SEBI Listing Regulations.

The related party transactions entered by the Company during the financial year ended March 31, 2019 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 2017-18, 2018-19 and 2019-20.

There are no 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 behaviour in all its business activities and has put in place a mechanism for reporting illegal or unethical behaviour. The Company has a Whistle blower mechanism under which the employees, Directors and others 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 web link: <http://www.diageospeakup.com>

(d) Code of Conduct:

The Board of Directors on March 05, 2015 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 web 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.

9. 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). Consequent upon shifting of registered office from the state of Telangana to the state of Karnataka, pursuant to the statutory requirement, the company publishes the results and other communications in “Kannada Prabha” (Kannada daily newspaper) and Business Standard. The results are also displayed on the Company’s website www.pioneerdistilleries.com. The news clause has been setup on the Company’s website as given above for disclosing new updates, if any.

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

Corporate Governance Report (Contd.)

10. 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.

11. GENERAL SHAREHOLDER INFORMATION

a)	AGM Date, Time and Venue	Thursday, September 12, 2019 at 3.30 pm at The Capitol Hotel, No. 3, Raj Bhavan Road, Bengaluru – 560 001
b)	Financial Year	April 01 2019 to March 31 2020
	First Quarterly Results	By July 20, 2019
	Second Quarterly Results	By October 30, 2019
	Third Quarterly Results	By January 30, 2020
	Audited Financial Results	By May 30, 2020
c)	Dividend payment date	NA
d)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: <ol style="list-style-type: none"> 1. BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 2. National Stock Exchange Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400 051

The Annual Listing fees for the financial year 2019-20 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: info@vccilindia.com Website: www.vccipl.com
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.

Corporate Governance Report (Contd.)

k)	Distribution of Shareholding	As per Annexure D		
l)	De-materialization of shares (as on March 31, 2019)	Depositories	Shares	% of Total Issued Capital
		NSDL	1,18,80,337	88.74
		CDSL	12,63,670	9.44
		Total	1,31,44,007	98.18
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:</p> <p>Venture Capital and Corporate Investments Private Limited Regd. Off: 12-10-167, Bharat Nagar, Hyderabad 500 018 Tel: (040) 2381 8475 / 2381 8476 / 2386 8023 Fax: (040) 2386 8024 Email: info@vccilindia.com Website: www.vccipl.com</p> <p>Investors may also write to the Company Secretary, Mr. Akshara B L, at the Registered Office of the Company at UB Tower, Level – 10, #24, Vittal Mallya Road, Bangalore-560001. Tel No. +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. pdlinvestor.india@diageo.com has been designated for registering complaints by the Investors and its redressal, which has been displayed on the website of the Company www.pioneerdistilleries.com</p>		
q)	List of credit ratings obtained and revisions during the financial year, for all debt instruments or any fixed deposit or any scheme or proposal of the Company involving mobilisation of funds	NA		

Corporate Governance Report (Contd.)

12. 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 (POSH) 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, 2019.

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. Ravi Varma 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.

ANNEXURE A: MARKET PRICE DATA

Pioneer Distilleries Limited – Market data BSE

Date	High (INR)	Low (INR)	Close (INR)	Volume
Apr-18	348.45	167	348.45	229513481
May-18	410	244.1	285	345599923
Jun-18	300.1	235	261.4	48841475
Jul-18	288	223.2	223.35	37131986
Aug-18	230.3	173.8	209.7	37325675
Sep-18	214.9	162.35	162.5	6601490
Oct-18	184.55	144.55	168	3550080
Nov-18	177.7	143.7	149	2151648
Dec-18	198	150	175.5	9364312
Jan-19	176.35	148.3	149.6	4405721
Feb-19	152.8	111.75	135	3257273
Mar-19	164.8	137.3	145.95	3471704

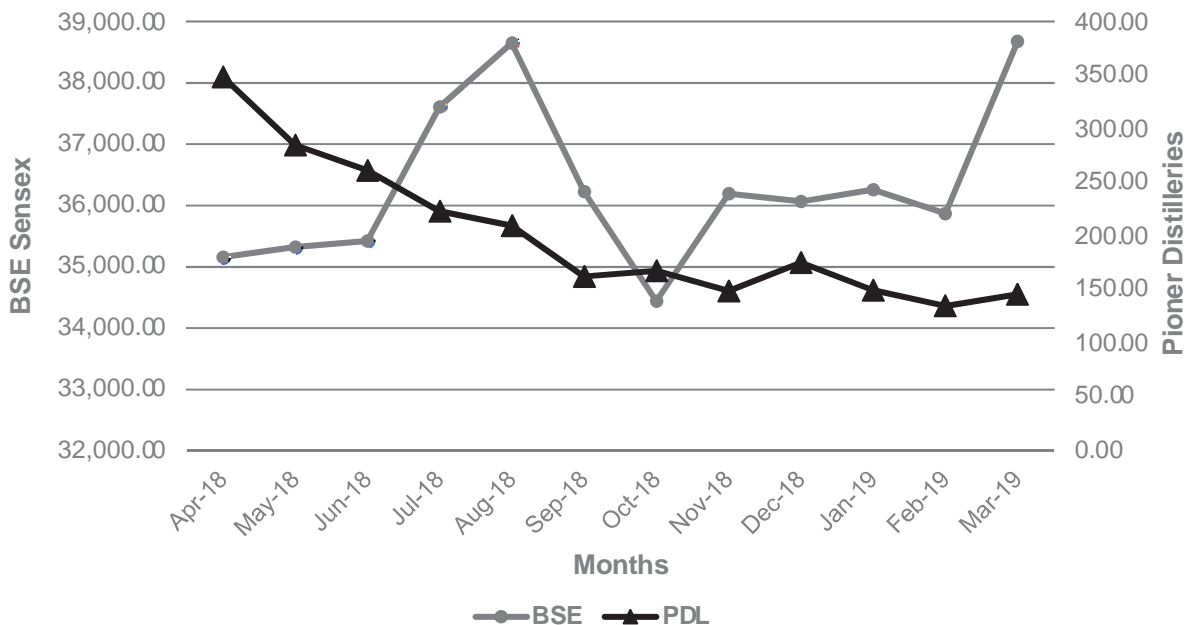
[Source: This information is compiled from the data available from the website of BSE]

Corporate Governance Report (Contd.)

Pioneer Distilleries Limited – Market data NSE

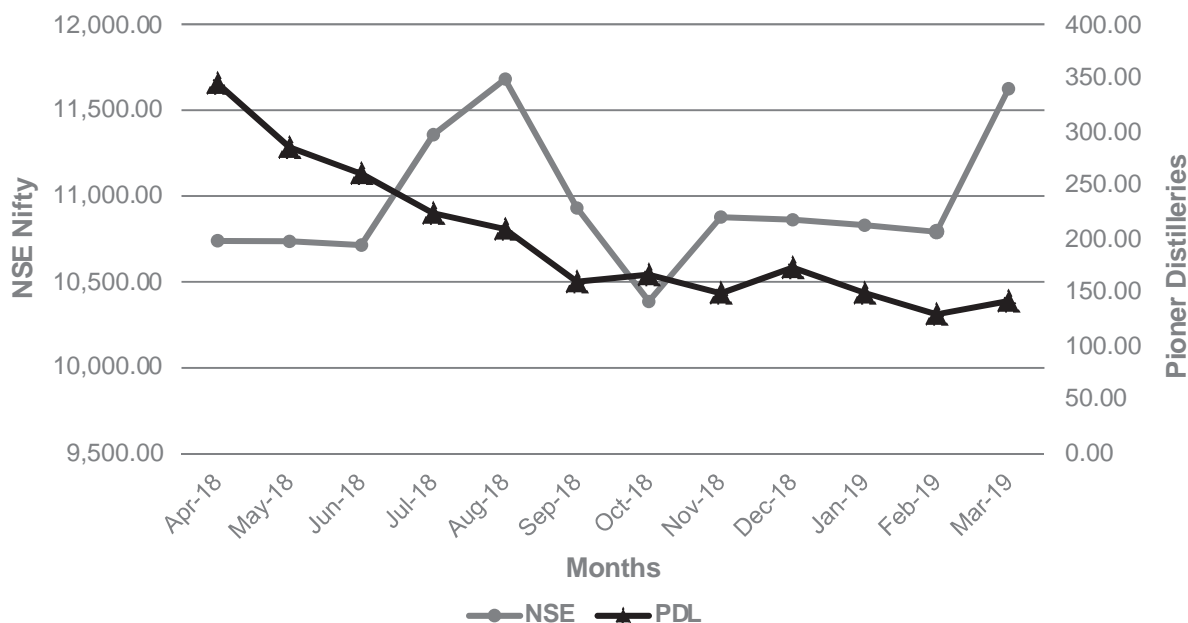
Month	High (INR)	Low (INR)	Close (INR)	Volume
Apr-18	344.95	166.30	344.95	37,12,483
May-18	408.95	244.70	285.15	44,09,023
Jun-18	301.40	233.00	260.85	10,34,659
Jul-18	291.85	223.80	223.85	9,53,667
Aug-18	230.45	172.25	209.05	10,22,247
Sep-18	216.00	160.00	160.05	2,18,305
Oct-18	185.00	146.00	166.75	1,80,041
Nov-18	173.95	146.30	149.55	1,37,222
Dec-18	197.85	149.55	173.30	4,36,513
Jan-19	175.05	147.95	149.65	1,97,809
Feb-19	151.00	110.10	129.80	2,33,838
Mar-19	164.00	128.90	142.15	1,46,454

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

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

Corporate Governance Report (Contd.)

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



ANNEXURE D: DISTRIBUTION OF SHAREHOLDING VALUEWISE (As on March 31, 2019)

Shareholding of nominal value			Shareholders		Share Amount	
INR			Number	% to Total	in INR	% to Total
(1)	-	(2)	(3)	(4)	(5)	(6)
Up to	-	5000	4571	86.57	4401090	3.29
5001	-	10000	359	6.8	3022500	2.26
10001	-	20000	171	3.24	2615770	1.95
20001	-	30000	57	1.08	1430220	1.07
30001	-	40000	27	0.51	942040	0.7
40001	-	50000	21	0.4	979950	0.73
50001	-	100000	28	0.53	2077270	1.55
100001 and above			46	0.87	118413160	88.45
Total			5280	100	133882000	100

Corporate Governance Report (Contd.)**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)	2,75,239	2.06
Resident Individual	19,63,329	14.66
NRI/OCB/ FCB and Foreign Nationals	9,73,791	7.27
IEPF Authority MCA	34,691	0.26
Total	1,33,88,200	100.00

Corporate Governance Report (*Contd.*)

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members,
Pioneer Distilleries Limited
Hyderabad 500016

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, 2019.

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

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

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

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

Place : Bengaluru
Date : May 13, 2019

Corporate Governance Report (Contd.)

CEO / CFO CERTIFICATE

To,

The Members,
Pioneer Distilleries Limited

- A. We have reviewed the financial statements for the year ended March 31, 2019 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.

We have indicated to the auditors and the Audit committee:

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

Place : Bengaluru

Ravi Varma

Sanjoy Sarkar

Date : May 13, 2019

Managing Director

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. All the members of the Board and the Senior Management personnel have affirmed compliance with the Code for the year ended March 31, 2019.

Place : Bengaluru

Ravi Varma

Date : May 13, 2019

Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

ECONOMIC SCENARIO

Global economy: Global economy has slowed down in the FY 18 (3.7%) vs. FY17 (3.8%) driven by the negative effects of tariff increases enacted in the United States (US) and China earlier this year. The softened momentum worldwide in the second half of 2018 - including Germany with the introduction of new automobile fuel emission standards and Italy where concerns about sovereign and financial risks have weighed on domestic demand. In addition, weakening financial market sentiment as well as a contraction in Turkey are now projected to be deeper than anticipated. Growth in India continue to increase slightly to 7.5% in FY19 (vs. FY18 of 7.3%). Advanced economies were led by a strong pick-up in spending. Emerging Market and Developing Economies grew on a stronger footing primarily supported by an acceleration in private consumption.

Global growth is expected to scale up to 3.5% & 3.6% in 2019 and 2020 respectively, strengthened by strong momentum, favourable market sentiment, accommodative financial conditions, and expanding fiscal policy in US which is expected to boost both domestic and international markets.

(Source: IMF Global Economic Outlook, Jan.'19)

Indian economy: India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease. As per the second advanced estimates issued by the Central Statistics Organisation (CSO), India's GDP at constant prices is expected to grow by 7.2% in the financial year 2018-19 as compared to 7.1% in the financial year 2017-18. The government's impetus on 'Make in India', investment in infrastructure and creation of 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 77th in 'Ease of Doing Business' ranking amongst 190 countries as per World Bank, jumping 27 positions from the previous year. The economic growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivise private investment. According to IMF, the Indian economy is expected to be the fastest growing major economy in the World with 7.3% growth in the financial year 2019-20 and 7.5% in the financial year 2020-21.

(Source: <https://www.thehindubusinessline.com/economy/imf-cuts-india-growth-forecast-to-73-for-2019-20/article26782899.ece/>)

INDUSTRY OVERVIEW

India is one of the fastest growing alcohol markets in the world. Rapid increase in urban population, sizable middle-class population with rising spending power, and a sound economy are certain significant reasons behind increase in consumption of alcohol in India. 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 62% of population younger than 35 years, India is a young country with median age of 27.9 in 2018. This provides tremendous opportunity to drive growth of alcohol 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 population crossing 1 billion mark by 2030. The per capita consumption of alcohol in 2018 is estimated at 11.8 litres which is

Management Discussion and Analysis Report (Contd.)

considerably lower than the regional average of 20.9 litres per capita amongst Asian countries. It is expected that per capita consumption will increase with changes in lifestyle and aspiration of the population.

(Source: <https://www.businesswire.com/news/home/20181112005505/en/Indian-Alcohol-Consumption-Report-2018---Changing>)

INDIAN SPIRITS MARKET OVERVIEW

Industry performance: The alcobev industry in India has been growing at more than 12% Compounded Annual Growth Rate (CAGR) for the decade starting 2001 making it one of the fastest growing markets in the World. In 2018, the industry bounced back to about 3-4% growth after experiencing sharp decline of about 2.7% in 2017 (some of the causes like Supreme Court-order banning sale of alcohol near highways and distribution changes in some states like in West Bengal, Chhattisgarh and Jharkhand contributed to this decline)

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 72% of the market. IMFL sales in value grew 6% in the financial year under review. With consumer demand picking up, the industry is expecting to grow in mid-single-digit in the coming financial year as well.

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

Consumption pattern: The states of Andhra Pradesh, Telangana, Kerala, Karnataka, Sikkim Haryana and Himachal Pradesh are amongst the largest consuming states for alcobev in India. The most popular channel of alcobev sale in India is liquor stores as its consumption is primarily an outdoor activity and supermarkets and malls are present only in the tier I and tier II cities of India. As per the World Health Organization, close to 30% Indians consume alcobev products out of which 4%-13% are daily consumers. The minimum drinking age varies from 18 to 25 years across states in India, taking the total count of legal drinking age population to approximately 650 million in 2018.

Constantly changing regulatory environment: Recently, Government in the state of Maharashtra has increased the excise duties abnormally which had a cascading impact on the sale of liquor in the state. Further, declaration of General Election in April has also resulted in multiple challenges in terms of effective supply chain since timing of election coincide with annual excise license renewal cycle in majority of states etc.

Growth drivers: Indian alcobev industry holds huge growth potential given the low per capita consumption and the demographics and aspirations of the growing younger population. 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 alcobev sales as IMFL volumes are seen to grow 1.5x GDP when GDP growth picks up. Favourable demographics with a median age of 27.9 years and growing social acceptability of alcobev consumption are likely to bode well for the industry. The organised players stand to benefit from steady growth in the conversion from country liquor to IMFL given increasing health concerns associated with consumption of country liquor. States like Tamil Nadu and Karnataka have banned the sale of country liquor primarily on account of rising death toll due to consumption of country liquor.

Growing prevalence of premium alcobev: Rapid urbanisation is also leading to spur in aspirational values of people, leading to higher consumption of premium alcobev brands. With more Indians travelling abroad,

Management Discussion and Analysis Report (Contd.)

rising aspirations, favourable environment for 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 increased marketing of these categories. Another trend which is gaining traction in the alcobev 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 at 14% CAGR over 2016-2021 than the overall industry growth.

REGULATORY SCENARIO IN INDIAN MARKET

Regulatory oversight of both central and state governments encompasses a slew of restrictions on production, movement and sale of alcobev products. Alcobev also falls under the purview of Food Safety and Standards Authority of India (FSSAI). In addition, direct advertising of alcobev products are not permitted 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:**

After experiencing benign commodity cycle during last year, in FY18 your company has experienced significant hit on account of increase in prices of molasses largely driven by EBP (Ethanol Blending Policy) announced by Government in December 18'. Due to significant reliance on commodity market prices (molasses & grain), profitability of the Company has been unstable. Your company is exploring various options including indexing model pricing with its largest customer to stabilise the margins.

PRODUCT-WISE PERFORMANCE

The product wise performance of the Company is given hereunder:

- Extra Neutral Alcohol (ENA):** Production of Molasses based ENA (MENA) during the financial year April 01, 2018 to March 31, 2019 has been of the order of 134.34 LBL and production of Grain based ENA (GENA) 102.83 LBL.
- Absolute Alcohol (Ethanol):** Production of Absolute Alcohol during the financial year April 01, 2018 to March 31, 2019 has been of the order of Nil.
- Malt Spirit:** Production of malt spirit during the financial year April 01, 2018 to March 31, 2019 has been of the order of 22.59 LBL. The Company has set-up a maturation plant and the malt spirit maturation facility as of March 31, 2019 is 15.50 LBL.
- IMFL Bottling:** 12.73 Lacs Cases.

Management Discussion and Analysis Report (Contd.)

- (v) **CO₂:** Carbon-di-Oxide Dry Ice: Production of Carbon-di-Oxide Dry Ice during the financial year April 01, 2018 to March 31, 2019 has been of the order of 508.88 MT and CO₂ liquid is 1,263.54 MT..
- (vi) **Special Denatured Spirit (SDS):** Production of SDS during the financial year April 01, 2018 to March 31, 2019 has been of the order of 2.59 LBL.
- (vii) **Distillers Wet Grain Soluble (DWGS) and Distillers Dry Grain Soluble (DDGS):** Production of DWGS during the financial year April 01, 2018 to March 31, 2019 has been of the order of 768.695 MT. Production of DDGS during the financial year April 01, 2018 to March 31, 2019 has been of the order of 3,095.18 MT.
- (viii) **Cattle feed (Malt spent grain):** Production of Cattle Feed during the financial year April 01, 2018 to March 31, 2019 has been of the order of 5148.385 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. In 2011-12, USL acquired PDL and is presently holding 75% shareholding in the Company.

Industry Structure and developments

The Company's business activity falls within a single primary business segment i.e., Potable Alcohol and related products. The Company is running a 160 Kilo Litres Per Day (KLPD) Extra Neutral Alcohol (ENA) manufacturing facility comprising of 100 KLPD of Molasses based ENA and 60 KLPD of Grain based ENA, 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 to ensure zero pollution.

OUTLOOK

Your company is part of United Spirits Limited (USL)-Diageo Group which is a leader in India's alcobev industry. Diageo has initiated steps to turnaround the Company with changes at management level, revamp of business process, enhanced supply chain efficiency, engaging with the government and improving work culture. Your Company's focus is to bring in efficiency in production and reduce downtime. This will help the company achieve volumes which will be key to profitability. Your company is prepared to handle any challenge in terms of demand for its products and has been engaging with third party bottlers to sell surplus quantity. Disgorging of matured malt stocks will commence during FY 2020 and your company will start selling these immediately. This is likely to ensure stability of margins, reduce working capital requirements. Frequent regulatory changes will continue to pose challenges for the alcobev industry. As seen in the past, your Company is well equipped to overcome any such challenges.

Your Company plans to carry out detailed technical study of operations/ machinery. Necessary improvements will be carried out to achieve cost reduction, enhance quality, improve safety and reduce carbon footprint.

Management Discussion and Analysis Report (Contd.)

Strengths

- **Product portfolio and diversity:** The Company's product portfolio extends across Grain based Extra Neutral Alcohol (GENA), Molasses based Extra Neutral Alcohol (MENA), Fresh Malt Spirit, 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 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 favourable 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.

Any drastic change in the policies of the Government and pollution laws can be considered as possible threats to the industry. Water is a key resource in the distillation process and is required for bottling. Poor monsoon, availability/ restriction on usage of water, increase in rate may pose challenges to the operations of the Company.

The Company believes that in order to be competitive and sustainable it must 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.

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.

Management Discussion and Analysis Report (Contd.)

Your Company has achieved a gross sales of INR 12,822.44 Lakhs for the financial year ended March 31, 2019 against the gross sales of INR 12,370.03 Lakhs for the financial year ended March 31, 2018. Your Company has reported a loss of INR 9,707.50 Lakhs before tax, this was due to intermittent disruption in its operations owing to frequent breakdowns and repairs. Your Company has carried out several one-off repair activities to stabilise the production. INR 1000 Lakhs provision has been created, from the amount considered earlier, towards Government Grant due to change in terms of Sanction letter for subsidy.

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

KEY FINANCIAL AND OTHER RATIOS

Key financial ratios arising from the financials are given below for the financial year ended March 31, 2019 and March 31, 2018

Particulars	F19	F18
LEVERAGE RATIOS		
Debt-Equity Ratio	-10.2	12.0
Current Ratio	1.5	1.2
Interest Cover on operational EBIDTA	0.1	-0.4
VALUATION RATIOS		
EPS	-50.10	52.29
P/E Ratio	-2.8x	3.3x
PROFITABILITY RATIOS		
Return on Networth	NA	-177%
Return on Capital Employed	-12%	-14%
LIQUIDITY RATIOS		
Inventory Turnover Ratio	1.9	2.2
Receivable Turnover Ratio	0.4	2.2
Payable Turnover Ratio	5.6	5.9
OPERATIONAL RATIOS		
Net profit Margin (PAT/NSV)	-48%	52%
Operating Margin (EBIT/NSV)	-33%	-34%

- Due to operational challenges on account of intermittent breakdowns, closure of operations, delay in stabilisation of operations resulting in underutilisation of capacity and change in terms of government grant, the Company continued to report operational loss. These losses have resulted in net-worth becoming negative and hence Return on Networth is not computed. This has affected debt-equity ratio, EPS, P/E Ratio, Return on Capital Employed.
- Due to maturation of malt stocks (above 18 months), inventory turnover ratio has come down.
- Receivable (debtors) turnover ratio has improved as your company has started operating on advance payment or immediate payment basis.

Management Discussion and Analysis Report (Contd.)

- During FY18, the Company has reported government grant income of INR 167 Crs which is not present in FY19 net profit. Operationally the Company continues to report losses. Hence, the deviation in Net profit margin. Also, there has been increase in finance cost as the Company has been availing working capital facilities from Bank to support capital blocked in malt maturation and operational expansion. Income from Govt grant & allowance on same has not been considered for computing operating margin ratio.

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 to the laws, rules and statutes of the land. It ensures stringent compliance at all levels, and across all departments, for safeguarding its assets, prevention and detection of fraud and errors, completeness of accounting records and timely preparation of financial statements. The internal control system is supplemented by effective quarterly Internal Audit done by In-House Internal Audit team of United Spirits Limited, holding company of the Company. The 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 163 (including permanent workmen at plant). 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 centred on promoting a collaborative and cohesive culture.

Your Company is now trying to focus on multiskilling to improve the productivity of the employees by giving trainings and changing roles.

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			
		Name of the Director/KMP	Designation	Ratio to Median remuneration	% Increase
1	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year Ravi Varma Sanjoy Sarkar# Percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Ravi Varma	Managing Director	17:1	NA
		R. Krishnamurthy	Chairman, Independent Director	0.93:1	-3%
		Junia Sebastian	Independent Director	0.53:1	-34%*
		Srivasthala K.N.	Independent Director	0.4:1	NA
		Mamta Sundara	Non-Executive Director	NA	NA
		Ajay Goel	Non-Executive Director	NA	NA
		Sanjeev Kumar Gupta	Non-Executive Director	NA	NA
		B.V. Krishna Reddy	Managing Director	16.87:1	-30.54%
		Sanjoy Sarkar#	CFO	NA#	NA#
		Akshara B L#	Company Secretary	NA#	NA#
		* For Non-executive Directors change in percentage denotes change in remuneration (including commission and sitting fees) and for the period of their Directorship during the year.			
		# Employees are on the payroll of the United Spirits Limited (Holding company) and their salaries have not been recharged to the Company, being not material.			
2	Percentage increase in the median remuneration of employees in the financial year	25.07%			
3	Number of permanent employees on the rolls of company	There were 151 employees as on March 31, 2019			
4	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	26.36% average increase for non-managerial personnel. The salary increase for managerial personnel is 12.45%. The annual average salary increase is based on the Company's market competitiveness as against its peer companies.			
5	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.			
6	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**

Sl No	Name of the employee	Designation	Age	Amount	Qualification	Experience (Years)	Date of joining (dd-mon-yyyy)	Particulars of previous employment
1	B V Krishna Reddy*	Managing Director	52	5910095	B.Tech., M.Tech.	27	01-Oct-2015	General Manager Manufacturing - United Spirits Limited
2	UVL Narasimha Rao*	Operations Head	51	5879147	B.E. Mechanical, PG in IR and PR	29	03-Oct-2018	Dy. General Manager Manufacturing - United Spirits Limited
3	Ashok J Tahade	DGM Operations	51	4765581	BSc, DIFAT, DEPC	28	16-Mar-2011	General Manager Manufacturing - United Spirits Limited
4	Mukut Dhar*	Finance Head	53	3732957	B.Com	29	01-Nov-2018	Sr. Manager Finance - United Spirits Limited
5	Shabbir Shaikh*	Engineering Head	52	3100000	B.E. Mechanical	21	06-Sep-2018	Innovation and Technology Manager -Hindustan Unilever Limited
6	Sudeep Tiwari*	EHS Head	53	2741770	Diploma in Mechanical Eng. Diploma in Industrial safety	28	02-May-2018	Sr Manager - EHS - Hindustan Unilever Limited
7	Chakrapani Varre	Procurement Head	51	2521303	B.E. Mechanical	28	18-Jul-2016	Sr.Manager Purchase,ETA General Pvt. Ltd.
8	C Pavan Kumar*	Quality Head	48	2509311	MSc Bio Tech, MBA	28	16-Nov-2018	Sr Manager Quality United Spirits Limited
9	P Ravi Varma*	Managing Director	48	2386492	BSc	25	03-Oct-2018	General Manager Manufacturing - United Spirits Limited
10	Mandeep Singh*	HR Head	35	1750000	LLB, PGPM-HR	10	06-Aug-2018	Process Manager - Employee relations Hero Motor Corp.

* For the part of the year

Note:

1. None of the employees are related to the directors of the Company. None of the employees hold more than 2% of paid-up equity share capital of the Company.
2. Remuneration details are not comparable with last year since many of the employees joined / exited during the year and the figures vary due to variable pay, retiral etc. and other payments made on such joining / exit.

Report of the Directors (Contd.)

Annexure 2

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2019

[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 of
Pioneer Distilleries Limited

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, 2019, 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, 2019 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 (Listing Obligations and Disclosure Requirements) Regulations, 2015.
 - (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

Report of the Directors (*Contd.*)

- (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (No instances for compliance requirements during the year);
 - (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
 - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
 - (g) 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;
 - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
 - (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and the Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (No instances for compliance requirements during the year); and
 - (j) the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018
- 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.

I further report that

The Company has on July 26, 2018 received directions (“Closure Direction”) from Maharashtra Pollution Control Board (“MPCB”), 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 Management has decided to undertake maintenance work for the factory of the Company situated at Balapur Village, Dharmabad Taluk, Nanded District Maharashtra 421809 and therefore, to temporarily shut down the distillation operation but not discontinue the operation. The Company had filed a writ petition before the Hon’ble High Court of Judicature of Bombay, Aurangabad Bench and subsequently approached National Green Tribunal (“NGT”) at Delhi against the Closure Direction. NGT had, vide its order dated August 03, 2018 directed the Company to put forward its view point for consideration before the MPCB in accordance with law. The MPCB after hearing the

Report of the Directors (Contd.)

Company vide its direction dated August 29, 2018 was pleased to accept the Company's submissions subject to fulfilment of certain conditions within specified timelines. The Company has complied with the said conditions and has submitted final completion report to MPCB on December 12, 2018.

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 was obtained and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

I further report that during the audit period following specific action having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc referred to above:

1. The following resolutions were passed by the shareholders through postal ballot effective January 21, 2019:
 - (a) Alteration of Registered Office Clause in the Memorandum of Association -Special Resolution;
 - (b) Shifting of Registered Office of the Company from Hyderabad in the State of Telangana to Bengaluru in the State of Karnataka – Special Resolution; and
 - (c) Approval for entering into Related Party Transaction with United Spirits Limited for availing financial assistance in the form of loan – Ordinary Resolution.
2. Pursuant to passing of Special Resolution by the shareholders of the Company, through postal ballot as mentioned in (a) and (b) above, the Company had filed an application under Section 13 (4) of the Companies Act, 2013, before the Regional Director, South East Region, Ministry of Corporate Affairs, Hyderabad for approving the said alteration of Memorandum of Association having the effect of shifting the registered office of the Company from the State of Telangana to the State of Karnataka.

Sudhir Vishnupant Hulyalkar

Company Secretary in Practice

FCS No.: 6040

C. P. No. : 6137

Place : Bengaluru

Date : May 13, 2019

Report of the Directors (Contd.)

ANNEXURE – 2A

**CERTIFICATE ON DIRECTORS APPOINTMENT AND CONTINUATION ON THE BOARD OF
DIRECTORS OF UNITED SPIRITS LIMITED (the Company)**

(In terms of Regulation 34(3) read with Para C, Sub Para 10 (i) of the Schedule V to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015)

I have examined the relevant records of the Company and disclosures made by the directors of the Company, relevant information on disqualification and proclaimed offenders as declared by Courts and disseminated on the website of Ministry of Corporate affairs, the Orders and other information available on the website of Securities and Exchange Board of India and the stock exchanges, Reserve Bank of India and information on wilful defaulters as declared by the banks and made available on the web sites of credit information companies registered with the Reserve Bank of India and based on such examination, I hereby certify that none of the directors on the board of **Pioneer Distilleries Limited** as on March 31, 2019 have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India and other statutory authorities.

Sudhir Vishnupant Hulyalkar

Company Secretary in Practice

FCS No.: 6040

C. P. No. : 6137

Place : Bengaluru

Date : May 13, 2019

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, 2019, 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, 2019 and continuing are as follows:

Name of the related party: United Spirits Limited

Nature of relationship: Holding Company

Nature of Contract/ arrangements/ transaction	Justification for entering into the Contract or arrangement or transactions	Duration of the contract	Date of approval by the Board	Amount paid as advance (INR)
Sale of Extra Neutral Alcohol, Indian Made Foreign Liquor, Malt Spirit and Others (INR 9,654 lakhs)	Arm's length and in the ordinary course of business	Till March 2019	02/08/2016	Nil

By Authority of the Board

Bengaluru

May13, 2019

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 to 100% Green power.
- Groundwork underway to generate upto 1MW in excess and to sell the excess power generated in F20.

The plans implemented to save energy are:

- Cotopoxi audit carried out with recommendations on investment and generate savings while improving carbon footprint.
- Optimization of Multi effective evaporator (MEEP) and incineration upto 55% achieved continued incineration in Boiler.
- Started recycling of water in process from Condensate polishing unit upto 50% and work in progress for improving the same by 20%.
- 52 TPH Incineration boiler successfully commissioned and MENA effluent is being used as part fuel along with Husk to achieve Zero Liquid Discharge
- Distillers Dried Grains with Soluble (DDGS) Dryer running successfully at 70% and further improvement is in progress to achieve 100%.
- Co₂ plant for MENA is being stabilized.

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 : Cotopoxi audit recommendations towards Energy savings and Sustainability, ManEx phase 2 roll out to implement best practices and process.
4. Expenditure on R & D : Nil

b) Technology absorption, adaptation and innovation : Nil

Foreign Exchange Earnings and Outgo:	2018-19	2017-18
a. Earnings in Foreign Currency	Nil	Nil
b. Imports / Expenditure in Foreign Currency	97,080	Nil

By Authority of the Board

R Krishnamurthy
Chairman

Bengaluru
May 13, 2019

Report of the Directors (Contd.)**Annexure 5****FORM MGT 9 EXTRACT OF ANNUAL RETURN****As on financial year ended on 31.03.2019**

*[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	L24116KA1992PLC125992
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 80 3964 2207; +91 80 2221 0705 Fax: +91 80 3985 6862 With effect from July 8, 2019, the Registered Office of the Company is UB Tower, Level-10, #24, Vittal Mallya Road, Bangalore-560001.
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: info@vccilindia.com , Website: www.vccilindia.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY All the business activities contributing 10% or more of the total turnover of the company are stated below:-

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	75%
2	Malt Spirits	11032	12%

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	L01551K-1999PLC024991	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	
A. Promoters	-	-	-	-	-	-	-	-	-
(1) Indian	-	-	-	-	-	-	-	-	-
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt/State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	10041150	-	10041150	75	10041150	-	10041150	75	Nil
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	10041150	-	10041150	75	10041150	-	10041150	75	Nil
(2) Foreign	-	-	-	-	-	-	-	-	-
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other - Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other...	-	-	-	-	-	-	-	-	-
SUB TOTAL (A) (2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	10041150	-	10041150	75	10041150	-	10041150	75	Nil

Report of the Directors (Contd.)

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. PUBLIC SHAREHOLDING	-	-	-	-	-	-	-	-	-
(1) Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	-	-	-	-	-	-	-	-	-
(2) Non- Institutions	-	-	-	-	-	-	-	-	-
a) Bodies corporate									
i) Indian	237899	-	237899	1.78	228222	-	228222	1.70	0.08
ii) Overseas	-	100000	100000	0.75	-	100000	100000	0.75	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual share-holders holding nominal share capital upto INR 2 lakhs	1050691	40851	1091542	8.51	1430197	35351	1465548	10.94	2.79
ii) Individuals share-holders holding nominal share capital in excess of INR 2 lakhs	684981	-	684981	5.12	497781	-	497781	3.72	1.4
c) Others (Trust)	-	-	-	-	500	-	500	0.00	0.00
Clearing Member	68483	-	68483	0.51	46517	-	46517	0.35	0.16
Foreign Nationals									
Non Resident Indians	1010612	118842	1129454	8.44	864949	108842	973791	7.27	1.17
IEPF Authority	34691	-	34691	0.26	34691	-	34691	0.26	-
SUB TOTAL:(B) (2)	3087357	259693	3347050	25	3102857	244193	3347050	25	-
Total Public Shareholding (B) = (B) (1) + (B) (2)	3087357	259693	3347050	25	3102857	244193	3347050	25	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	13128507	259693	13388200	100	13144007	244193	13388200	100	-

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	111371	0.83%	111371	0.83%
	Sale on 04-5-2018	-800	0%	110571	0.83%
	Sale on 11-5-2018	-1000	-0.01%	109571	0.82%
	Sale on 18-5-2018	-1000	-0.01%	108571	0.81%
	Sale on 08-6-2018	-300	0%	108271	0.81%
	Purchase on 13-7-2018	6513	0.05%	114784	0.86%
	Sale on 1-2-2019	-1000	-0.01%	113784	0.85%
	Sale on 15-3-2019	-500	0%	113284	0.85%
	At the end of the year	113284	0.85	113284	0.85%
2		PHILIP THOMBRA ANTONY			
	At the beginning of the year	0	0%	198733	1.49%
	Purchase on 13-4-2018	590	0%	199323	1.49%
	Purchase on 20-4-2018	2715	0.02%	202038	1.51%
	Purchase on 20-04-2018	2499	0.02%	204537	1.53%
	Sale on 27-4-2018	-11521	-0.09%	193016	1.44%
	Purchase on 27-4-2018	680	0.01%	193696	1.45%
	Sale on 4-5-2018	-7000	-0.05%	186696	1.40%
	Sale on 11-5-2018	-19091	-0.14%	167605	1.26%
	Purchase on 25-5-2018	1752	0.01%	169357	1.27%
	Sale on 25-5-2018	-3200	-0.02%	166157	1.25%
	Sale on 8-6-2018	-2285	-0.02%	163872	1.23%
	Sale on 27-7-2018	-6359	-0.05%	157513	1.18%
	Sale on 3-8-2018	-8969	-0.07%	148544	1.11%
	Sale on 3-8-2018	-2653	-0.02%	145891	1.09%
	Purchase on 17-8-2018	3481	0.03%	149372	1.12%
	Purchase on 31-8-2018	3097	0.02%	152469	1.14%
	Purchase on 7-9-2018	4500	0.03%	156969	1.17%
	Purchase on 7-9-2018	3400	0.03%	160369	1.20%
	Purchase on 19-10-2018	1	0%	160370	1.20%

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 26-10-2018	1102	0.01%	161472	1.21%
	Purchase on 26-10-2018	1981	0.01%	163453	1.22%
	Sale on 9-11-2018	-3230	-0.02%	160223	1.20%
	Sale on 31-12-2018	-200	0%	160023	1.20%
	Sale on 11-1-2019	-100	0%	159923	1.20%
	Sale on 18-1-2019	-250	0%	159673	1.20%
	Sale on 1-2-2019	-4900	-0.04%	154773	1.16%
	Purchase on 15-2-2019	6091	0.05%	160864	1.21%
	Purchase on 22-2-2019	3582	0.03%	164446	1.24%
	Purchase on 1-3-2019	300	0%	164746	1.24%
	Sale on 8-3-2019	-469	0%	164277	1.24%
	Sale on 15-3-2019	-1040	-0.01%	163237	1.23%
	Sale on 22-3-2019	-2952	-0.02%	160285	1.21%
	At the end of the year	0	0%	160285	1.21%
3	SELLAPPAN SIVANESAN				
	At the beginning of the year	0	0%	91332	0.68%
	Purchase on 31-12-18	12	0%	91344	0.68%
	At the end of the year	0	0%	91332	0.68%
4	AMIT NARENDRA VIRA				
	At the beginning of the year	0	0%	56916	0.43%
	Sale on 13-4-2018	-50	0%	56866	0.42%
	Sale on 17-8-2018	-10000	-0.07%	46866	0.35%
	Sale on 24-8-2018	-11866	-0.09%	35000	0.26%
	Sale on 19-10-2018	-1000	-0.01%	34000	0.25%
	Sale on 31-12-2018	-150	0%	33850	0.25%
	Sale on 4-1-2019	-2483	-0.02%	31367	0.23%
	Sale on 18-1-2019	-1270	-0.01%	30097	0.22%
	Sale on 8-2-2019	-10346	-0.08%	19751	0.15%
	Sale on 1-3-2019	-1263	-0.01%	18488	0.14%
	Sale on 8-3-2019	-1000	-0.01%	17488	0.13%
	Sale on 29-3-2019	-3000	-0.02%	14488	0.11%
	At the end of the year	0	0%	14488	0.11%
5	MEDICI HOLDINGS LIMITED				
	At the beginning of the year	0	0%	100000	0.75%
	At the end of the year	0	0%	100000	0.75%
6	PRAVEEN GOEL				
	At the beginning of the year	0	0%	47872	0.36%
	Purchase on 11-5-2018	500	0%	48372	0.36%
	Purchase on 25-5-2018	1000	0.01%	49372	0.37%
	At the end of the year	0	0%	49372	0.37%

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
7	CHIRAYU TRADERS PRIVATE LIMITED				
	At the beginning of the year	0	0%	34100	0.25%
	Purchase on 6-4-2018	2900	0.02%	37000	0.28%
	Purchase on 13-4-2018	5000	0.04%	42000	0.31%
	Purchase on 27-4-2018	5000	0.04%	47000	0.35%
	Purchase on 6-7-2018	2100	0.02%	49100	0.37%
	Purchase on 13-7-2018	1900	0.01%	51000	0.38%
	Purchase on 27-7-2018	1000	0.01%	52000	0.39%
	Sale on 10-8-2018	-6750	-0.05%	45250	0.34%
	Purchase on 24-8-2018	3193	0.02%	48443	0.36%
	Purchase on 31-8-2018	6307	0.05%	54750	0.41%
	Purchase on 31-12-2018	1250	0.01%	56000	0.42%
	Sale on 8-2-2019	-3750	-0.03%	52250	0.39%
	Purchase on 1-3-2019	1000	0.01%	53250	0.4%
	Purchase on 8-3-2019	2000	0.01%	55250	0.41%
	At the end of the year	0	0%	55250	0.41%
8	BALKRISHNA RAMJI HARIBHAI DEVANI				
	At the beginning of the year	0	0%	664882	4.69%
	Sale on 6-4-2018	-2523	-0.02%	662359	4.67%
	Sale on 20-4-2018	-20670	-0.15%	641689	4.52%
	Sale on 27-4-2018	-91199	-0.68%	550490	3.84%
	Sale on 4-5-2018	-35000	-0.26%	515490	3.58%
	Sale on 11-5-2018	-14209	-0.11%	501281	3.47%
	Sale on 18-5-2018	-3500	-0.03%	497781	3.44%
	At the end of the year	0	0%	497781	3.44%
9	JM FINANCIAL SERVICES LIMITED				
	At the beginning of the year	0	0%	0	0%
	Purchase on 18-5-2018	101954	0.76%	101954	0.76%
	Sale on 1-6-2018	-10000	-0.07%	91954	0.69%
	Sale on 8-6-2018	-5000	-0.04%	86954	0.65%
	Sale on 22-6-2018	-86954	-0.65%	0	0%
	Purchase on 30-6-2018	86954	0.65%	86954	0.65%
	Sale on 6-7-2018	-3684	-0.03%	83270	0.62%
	Sale on 13-7-2018	-18270	-0.14%	65000	0.49%
	Purchase on 24-8-2018	13950	0.1%	78950	0.59%
	Sale on 26-10-2018	-15000	-0.11%	63950	0.48%
	At the end of the year	0	0%	63950	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
10	BIIPIKABEN B PATEL AND BHARATBHAI RAMANBHAI PATEL				
	At the beginning of the year	0	0%	47560	0.36%
	Purchase on 13-4-2018	342	0%	47902	0.36%
	Purchase on 20-4-2018	1394	0.01%	49296	0.37%
	Sale on 4-5-2018	-7300	-0.05%	41996	0.31%
	Purchase on 18-5-2018	1650	0.01%	43646	0.33%
	Purchase on 25-5-2018	750	0.01%	44396	0.33%
	Purchase on 1-6-2018	850	0.01%	45246	0.34%
	Purchase on 8-6-2018	500	0%	45746	0.34%
	Purchase on 17-8-2018	1000	0.01%	46746	0.35%
	Purchase on 24-8-2018	789	0.01%	47535	0.36%
	Purchase on 7-9-2018	1000	0.01%	48535	0.36%
	Purchase on 19-10-2018	1461	0.01%	49996	0.37%
	Purchase on 16-11-2018	250	0%	50246	0.38%
	Purchase on 31-12-2018	2750	0.02%	52996	0.4%
	Purchase on 11-1-2019	6500	0.05%	59496	0.44%
	Purchase on 18-1-2019	500	0%	59996	0.45%
	Purchase on 25-1-2019	1000	0.01%	60996	0.46%
	Purchase on 1-2-2019	1000	0.01%	61996	0.46%
	Purchase on 8-2-2019	3000	0.02%	64996	0.49%
	Purchase on 15-2-2019	700	0.01%	65696	0.49%
	At the end of the year	0	0%	65696	0.49%

(v) Shareholding of Directors and Key Managerial Personnel - Nil**V. Indebtedness of the Company including interest outstanding/accrued but not due for payment****(INR)**

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	-	3,08,82,35,959	87,89,950	3,09,70,25,909
(ii) Interest due but not paid	-	-	-	-
(iii) Interest accrued but not due	-	75,48,46,026	-	75,48,46,026
Total (i+ii+iii)	-	3,84,30,81,984	87,89,950	3,85,18,71,935
Change in Indebtedness during the financial year				
Addition	-	1,50,69,91,155	-	1,50,69,91,155
Reduction	-	(20,56,19,858)	(59,37,971)	(21,15,57,829)
Net Change	-	1,30,13,71,297	(59,37,971)	1,29,54,33,326
Indebtedness at the end of the financial year				
(i) Principal Amount	-	4,27,99,43,083	28,51,980	4,28,27,95,062
(ii) Interest due but not paid	-	-	-	-
(iii) Interest accrued but not due	-	86,45,10,199	-	86,45,10,199
Total (i+ii+iii)	-	5,14,44,53,281	28,51,980	5,14,73,05,261

Report of the Directors (Contd.)**VI. Remuneration of Directors and Key Managerial Personnel****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Amount in INR)

Sl. No.	Particulars of Remuneration	Ravi Varma* (Managing Director)	Krishna Reddy# (Former Managing Director)	Total
1	Gross; Salary (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	23,86,492	59,10,095	82,96,587
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission -as % of Profit Others	-	-	-
5	Others			
	Total (A)	23,86,492	59,10,095	82,96,587
	Ceiling as per the Act @ 5% for 1 Executive Director or limit as per Schedule V, whichever is higher		1,20,00,000^	

^Subject to approval by shareholders through special resolution

* for part of the year from October 3, 2018

for part of the year till October 2, 2018, including certain post-employment one-time benefits

B. Remuneration to other directors

(in INR)

	Names of Directors			Total (in Rs)
Independent Directors	Mr. R. Krishna-murthy	Ms. Sri-vathsala	Ms. Junia Sebastian	
Fee for attending board and committee meetings	3,25,000	1,40,000	1,85,000	6,50,000
Commission	-	-	-	-
Others, (Please specify)	-	-	-	-
Total Managerial Remuneration	3,25,000	1,40,000	1,85,000	6,50,000
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
chetan****(in Rs)**

S. No.	Particulars of Remuneration	Akshara B L [#] (Company Secretary)	Sanjoy Sarkar [#] (CFO)	Total
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	NA [#]	NA [#]	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, being not material.

VII. Penalties / Punishment/ Compounding of Offences:

There has been no penalty or punishment under the Companies Act 2013 for the year ended March 31, 2019.

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

May 13, 2019
Bengaluru

R. Krishnamurthy
Chairman

Report of the Directors (Contd.)

Annexure 6

Corporate Social Responsibility (CSR)

THE ANNUAL REPORT ON CSR ACTIVITIES

(Pursuant to section 135 of Companies Act, 2013 read with
Rule 8 of Companies (CSR Policy) Rules, 2014)

Outline of the Company's CSR policy:

CSR Strategy of the Company supports our ambition to become the best performing, most trusted and respected distillery Company in India. Your Company recognizes that its business activities directly affects the lives of people around our plant and in the markets that we operate in. We believe that the communities in which we operate should benefit from our presence.

Many of the authorities have Quoted your Company as “Dharmabad ka Vaibhav”. Our sustainability agenda spans our entire value chain – from within the factory gates to the communities in which we operate and efforts are on to reach out all the stake holders for partnering in our efforts towards creating sustainable development. Our Sustainability & Responsibility Strategy integrates social responsibility into our core business to create value for society and our shareholders.

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

INR in Lakhs			
Particulars	FY17-18	FY16-17	FY15-16
Profits/(loss) for CSR Computation	11663.61	(4190.94)	3423.84

3. Prescribed CSR Expenditure (two per cent of the Average of the previous three years profits): **INR 72.64 Lakhs**
4. Details of CSR spent during the financial year:
 - a The company was required to spend INR 72.64 Lakhs and the company has actually spent INR 21.29 Lakhs
 - b Amount unspent, if any: - INR 51.35 Lakhs

Report of the Directors (Contd.)

c Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No	CSR project or activity identified	Sector in which the project is Covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount out- lay (budget) project or program Wise (INR)	Amount spent on the projects or Programs Subheads: (1) Direct expen- diture on projects or Programs (2) Overheads: (INR)	Cumulative expenditure up to the reporting period (INR)	Amount spent: Director through implementing agency*
1	Health and Water: • Construction and repairs of Canals and borewells • Water and soil conservation projects • Desilting of ponds	Schedule VII(i)- Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive healthcare1 and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Dharmabad, Maharashtra Maharashtra	74 Lakhs	21.29 Lakhs	21.29 Lakhs	Implemented directly
	Total			74 Lakhs	21.29 Lakhs	21.29 Lakhs	

5. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report: Note has been provided in the Board Report
6. Responsibility statement of the CSR committee.

We hereby declare that implementation and monitoring of CSR activities is in compliance with CSR objectives and Policy of the Company.

Place: Bengaluru
Date: May 13, 2019

Srivathsala K N
Chairperson of CSR Committee

R Krishnamurthy
Chairman

Independent auditor's report

To the Members of Pioneer Distilleries Limited

Report on the audit of the Ind AS financial statements

Opinion

1. We have audited the accompanying Ind AS financial statements of Pioneer Distilleries Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("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, 2019 and total comprehensive income (comprising of loss and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Assessment of recoverability of Deferred Tax Asset in respect of unabsorbed tax losses and MAT credit</p> <p>(Refer Note 32 to the financial statements)</p> <p>The Company has recognised a deferred tax asset aggregating to INR 5,862 lakhs in respect of unabsorbed tax losses including unabsorbed depreciation and INR 1,168 lakhs in respect of MAT</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Understanding and evaluating the design and testing the operating effectiveness of controls over recognition and review of deferred tax assets; • Comparing the Company's profit forecasts prepared in the previous year with its actual performance during the year; • Checking the arithmetical accuracy of the forecasts;

Independent Auditors' Report (Contd.)

<p>credit entitlement, which is included under total deferred tax assets (net) of INR 6,022 lakhs. The deferred tax asset is recognised to the extent it is considered recoverable based on the Company's projected taxable profits in the forthcoming years. Under Indian Accounting Standard 12 'Income Taxes', the carrying amount of a deferred tax asset is required to be reviewed at the end of each reporting period.</p> <p>We considered this as a key audit matter because the amount of deferred tax asset referred to above is significant to the financial statements and is based on the forecast of the taxable profits of the Company that involve significant judgement and uncertainty of outcome. The assumptions underlying the forecast include sales growth rate which is based on projected sales volume and available capacity while cost of materials (the key component of overall cost) which is based on inflation, the Company's bargaining position with sellers of raw materials and other productivity improvement measures planned by the management of the Company. These projections have been reviewed and approved by the Board of Directors.</p>	<ul style="list-style-type: none"> • Review of key assumptions underlying the forecasts such as sales growth rate and estimated increase in the cost of materials to arrive at the projected profit in each year of the forecasts. • Checking whether the tax losses and MAT credit can be utilised within the forecasted recoupment period. • Evaluating the progress made by the Company in recent periods vis-a- vis the approved budgets. <p>Based on the above procedures performed, our testing did not identify any exceptions with respect to the reasonableness of the assumptions and estimates used by the management in assessing the recoverability of Deferred Tax Asset in respect of unabsorbed tax losses and MAT credit.</p>
<p>Assessment of litigations and related disclosure of contingent liabilities</p> <p>(Refer Note 27 – Contingent liabilities” of the Financial Statements)</p> <p>There are legal and regulatory matters for which there are ongoing litigations which are included in the aforesaid note. There is a high level of management judgement required in estimating the likelihood of outcome in such cases and the amount of ultimate liability, if any.</p> <p>We considered this a key audit matter as the eventual outcome of these matters is uncertain and the position taken by the management is based on the exercise of significant judgement, supported by external legal advice, where applicable.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Understanding and evaluating the design and testing the operating effectiveness of controls surrounding litigations and related disclosure of contingent liabilities; • Performing tests of details on the underlying calculations supporting the contingencies disclosed; • Reading external legal opinions obtained by management, where applicable; • Discussing the matters subjected to litigation with the Company's in-house legal counsel; • Assessing, management's conclusions through our understanding of the judicial precedents set in similar cases; • Obtaining, on a sample basis, independent confirmations from external legal counsel; and • Evaluating the objectivity, competence and capabilities of external legal counsels. <p>Based on the above procedures, we considered the assessment of litigations made by the management and the adequacy of the contingent liabilities disclosure to be reasonable.</p>

Independent Auditors' Report (Contd.)

Other Information

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the report of the Board of Directors, Corporate Governance Report and Management Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report (Contd.)

9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

13. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

Independent Auditors' Report (Contd.)

14. 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 Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 27 to the financial statements;
 - ii. The Company has long-term contracts as at March 31, 2019 for which there are no material foreseeable losses. The Company does not have any derivative contracts as at March 31, 2019.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended March 31, 2019.

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

Gautam Dharamshi
Partner
Membership Number: 042393

Bengaluru
May 13, 2019

Annexure A to Independent Auditors' Report

Referred to in paragraph 14(f) of the Independent Auditors' Report of even date to the members of Pioneer Distilleries Limited on the financial statements for the year ended March 31, 2019

Report on the Internal Financial Controls with reference to financial statements under Section 143(3) (i) of the Act

1. We have audited the internal financial controls with reference to financial statements of Pioneer Distilleries Limited ("the Company") as of March 31, 2019 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 with reference to financial statements 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 with reference to financial statements 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 with reference to financial statements.

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

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements 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 with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements 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 with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, 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

Bengaluru
May 13, 2019

Annexure B to Independent Auditors' Report

Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of Pioneer Distilleries Limited on the Ind AS financial statements as of and for the year ended March 31, 2019

- 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 have been conducted at reasonable intervals by the Management during the year. As stated in Note 19 to the financial statements, discrepancies amounting to INR 288 lakhs, noticed on physical verification of inventory by Management, as compared to book records were material and have been appropriately dealt with in the books of accounts.
- 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 Section 148(1) of the Act for any of the products of the Company.
- vii. (a) According to the information and explanations given to us including management's assessment in respect of provident fund as referred to in Note 40 to the Financial Statements and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and services 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 services 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, 2019 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Disputed amount (INR lakhs)	Amount paid (Under protest) (INR lakhs)	Period to which the amount relates	Forum where the dispute is pending
Central Sales Tax, 1958 & Maharashtra Value Added Tax, 2002	Sales Tax/ Value Added Tax	841	149	2012-13	Maharashtra Sales Tax Tribunal
Income Tax Act, 1961	Income Tax	76	-	2009-10	Income Tax Appellate Tribunal

Annexure B to Independent Auditors' Report (Contd.)

- 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) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- 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. Read with Note 36 to the financial statements, 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 financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- 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

Bengaluru
May 13, 2019

Balance Sheet as at March 31, 2019

(All amounts in INR lakhs unless otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
<u>Assets</u>			
Non-current assets			
Property, plant and equipment	2	23,983	27,806
Capital work-in-progress	2	127	351
Financial assets			
Government grant	3.1	8,777	3,343
Loans	3.2	43	66
Deferred tax assets (net)	32	6,022	2,884
Income tax assets (net)	32	138	317
Other non-current assets	4	3,250	2,905
Total non-current assets		42,340	37,672
Current assets			
Inventories	5	5,754	4,100
Financial assets			
Government grant	3.1	8,929	16,748
Trade receivables	6	11	19
Cash and cash equivalents	7	27	22
Other financial assets	8	15	17
Other current assets	9	574	598
Total current assets		15,310	21,504
Total assets		57,650	59,176
<u>Equity and liabilities</u>			
Equity			
Share capital	10.1	1,342	1,342
Other equity			
Reserves and surplus	10.2	(5,505)	1,216
Total equity		(4,163)	2,558
Non-current liabilities			
Financial liabilities			
Borrowings	11	14,171	14,553
Other financial liabilities	12	8,645	7,548
Provisions	15	138	61
Total non-current liabilities		22,954	22,162

Balance Sheet as at March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	Notes	As at March 31, 2019	As at March 31, 2018
Current liabilities			
Financial liabilities			
Borrowings	13	28,083	15,792
Trade payables	14		
(i) total outstanding dues of micro enterprises and small enterprises		41	34
(ii) total outstanding dues other than micro enterprises and small enterprises		2,175	2,173
Other financial liabilities	12	821	1,114
Provisions	15	149	175
Other current liabilities	16	7,590	15,168
Total current liabilities		38,859	34,456
Total liabilities		61,813	56,618
Total equity and liabilities		57,650	59,176
Significant accounting policies	1		

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

As per our report of even date attached

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

Gautam Dharamshi

Partner

Membership Number - 042393

Place: Bengaluru

Date: May 13, 2019

For and on behalf of the Board of Directors

R. Krishnamurthy

Chairman

DIN: 06940830

Sanjoy Sarkar

Chief Financial Officer

Place: Bengaluru

Date: May 13, 2019

Ravi Varma

Managing Director

DIN: 02168293

Akshara B L

Company Secretary

Statement of Profit and Loss for the year ended March 31, 2019

(All amounts in INR lakhs unless otherwise stated)

	Notes	For the year ended March 31, 2019	For the year ended March 31, 2018
Income			
Revenue from operations	17	13,838	13,500
Government grant	26	-	16,685
Other income	18	437	281
Total Income		14,275	30,466
Expenses			
Cost of materials consumed	19	11,612	11,174
Changes in inventories of work-in progress and finished goods	20	(2,256)	(911)
Excise duty		-	12
Employee benefit expense	21	1,015	1,053
Finance costs	22	2,936	2,254
Depreciation expense	23	4,861	3,661
Others:			
Allowance for government grant	26	2,686	-
Other expenses	24	3,128	3,042
Total expenses		23,982	20,285
Profit / (loss) before taxation		(9,707)	10,181
Income tax expense			
Current tax (MAT)		-	1,037
Tax relating to earlier years (MAT)		131	-
Deferred tax charge/(credit)	32	(2,999)	3,180
MAT credit utilised/ (availed)		(131)	(1,037)
Profit/ (loss) for the year		(6,708)	7,001
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations	31	(21)	61
Income tax credit/ (charge) relating to these items		8	(19)
Other comprehensive income for the year, net of tax		(13)	42
Total comprehensive income for the year		(6,721)	7,043
Basic and diluted earnings per share	29	(50.10)	52.29

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: Bengaluru
Date: May 13, 2019

For and on behalf of the Board of Directors

R. Krishnamurthy
Chairman
DIN: 06940830

Sanjoy Sarkar
Chief Financial Officer

Place: Bengaluru
Date: May 13, 2019

Ravi Varma
Managing Director
DIN: 02168293

Akshara B L
Company Secretary

Statement of Changes in Equity for the year ended March 31, 2019

(All amounts in INR lakhs unless otherwise stated)

(A) Equity Share Capital

	As at March 31, 2019	As at March 31, 2018
As at beginning of the year	1,342	1,342
Changes in share capital during the year	-	-
As at end of the year	1,342	1,342

(B) Other Equity

	Reserves and surplus				
	Capital reserve	Securities premium	Capital redemption reserve	Retained earnings	Total
As at March 31, 2017	660	621	235	(7,343)	(5,827)
Profit/(Loss) for the year	-	-	-	7,001	7,001
Other comprehensive income for the year	-	-	-	42	42
Total comprehensive income for the year	-	-	-	7,043	7,043
As at March 31, 2018	660	621	235	(300)	1,216
Profit/(Loss) for the year	-	-	-	(6,708)	(6,708)
Other comprehensive income for the year	-	-	-	(13)	(13)
Total comprehensive income for the year	-	-	-	(6,721)	(6,721)
As at March 31, 2019	660	621	235	(7,021)	(5,505)

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 and on behalf of the Board of Directors

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

R. Krishnamurthy
Chairman
DIN: 06940830

Ravi Varma
Managing Director
DIN: 02168293

Gautam Dharamshi
Partner
Membership Number - 042393

Sanjoy Sarkar
Chief Financial Officer

Akshara B L
Company Secretary

Place: Bengaluru
Date: May 13, 2019

Place: Bengaluru
Date: May 13, 2019

Statement of Cash Flows for the year ended March 31, 2019

(All amounts in INR lakhs unless otherwise stated)

	For the year ended March 31, 2019	For the year ended March 31, 2018
A. <u>Cash flows from operating activities</u>		
Profit/ (loss) before tax	(9,707)	10,181
Adjustment for :		
Depreciation expense	4,861	3,661
Provision for bad and doubtful debts	-	15
Provision for bad and doubtful advances	-	22
Allowance for government grant	2,686	-
Interest income	(2)	(1)
Profit on sale of property, plant and equipments	-	(189)
Provision/ Liabilities no longer required written back	(131)	(91)
Finance costs	2,936	2,254
Unwinding of interest on government grant	(301)	-
Change in operating assets and liabilities		
(Increase)/ decrease in inventory	(1,654)	1,342
(Increase)/ decrease in trade receivables	8	108
(Increase)/ decrease in other non-current/ current assets	(180)	988
(Increase)/ decrease in other financial assets	25	(16,624)
Increase/ (decrease) in trade payables	9	11
Increase/ (decrease) in other financial liabilities	(94)	(507)
Increase/ (decrease) in other non-current/ current liabilities	(7,578)	(1,370)
Increase/ (decrease) in non-current/ current provisions	30	67
Cash generated from/ (used in) operations	(9,092)	(133)
Tax paid, net	0	(1,295)
Net cash generated from/ (used in) operating activities (A)	(9,092)	(1,428)
B. <u>Cash flow from investing activities</u>		
Purchase of property, plant and equipment	(1,140)	(5,261)
Proceeds from disposal of property, plant and equipment	-	191
Interest received	2	1
Net cash used in investing activities (B)	(1,138)	(5,069)

Statement of Cash Flows for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	For the year ended March 31, 2019	For the year ended March 31, 2018
C. <u>Cash flow from financing activities</u>		
Proceeds from/ (repayment of) current borrowings (net)	10,300	(1,878)
Repayment of non-current borrowings	(265)	(122)
Working capital loan/ Bank overdraft (net)	1,991	9,644
Finance costs paid	(1,791)	(1,158)
<i>Net cash generated from/ (used in) financing activities (C)</i>	10,235	6,486
 <i>Net increase/ (decrease) in cash and cash equivalents (A+B+C)</i>	 5	 (11)
Add: Cash and cash equivalents at the beginning of the year	22	33
Cash and cash equivalents at the end of the year	27	22

The Statement of cash flow should be read in conjunction with the accompanying notes.

As per our report of even date attached

For and on behalf of the Board of Directors

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

R. Krishnamurthy
Chairman
DIN: 06940830

Ravi Varma
Managing Director
DIN: 02168293

Gautam Dharamshi
Partner
Membership Number - 042393

Sanjoy Sarkar
Chief Financial Officer

Akshara B L
Company Secretary

Place: Bengaluru
Date: May 13, 2019

Place: Bengaluru
Date: May 13, 2019

Notes to the financial statements for the year ended March 31, 2019

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 Limited (“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. 33 financial instruments);
- b) Defined benefit employee plan- plan assets are measured at fair value (refer note no. – 31)

New and amended standards adopted by the Company

The company has applied the following standards and amendments for the first time for their annual reporting period commencing April 1, 2018:

- a) Ind AS 115, *Revenue from Contracts with Customers*
- b) Appendix B, Foreign Currency Transactions and Advance Consideration to Ind AS 21, *The Effects of Change in Foreign Exchange Rates*
- c) Amendment to Ind AS 12, *Income Taxes*

Ind AS 115 - *Revenue from Contracts with Customer*: The core principle of 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 adoption of the standard did not have any material impact on the financial statement of the company.

The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

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.

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 except that on adoption of Ind AS, the Company had measured Property, plant and equipment at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015. 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

On adoption of Ind AS, the Company has measured Intangible assets at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015. Acquired intangible assets are held on the balance sheet at cost less accumulated amortisation and impairment losses.

Depreciation and Amortisation

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

Asset Category	Useful Life (in years)	Basis of determination of useful lives
Buildings		
- Roads	5	Management estimate
- Buildings	30-60	Assessed to be in line with Schedule II of the Act
Plant and equipment	7.5 – 15	Assessed to be in line with Schedule II of the Act and management estimate
Furniture and Fixtures	10	Assessed to be in line with Schedule II of the Act
Vehicles	5	Management estimate
Office equipment	3 – 5	Assessed to be in line with Schedule II of the Act and management estimate
Computers	3	Assessed to be in line with Schedule II of the Act

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

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

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

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 income.

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 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 annually tested for impairment or more frequently if events or changes in circumstances indicate that they might 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).

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, goods and services tax 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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

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 -115 'Revenue from Contracts with Customers', 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.

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) 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.

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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

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.

(c) 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 liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

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.

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

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

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.

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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

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.

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

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

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.

1.12 Earnings per share (“EPS”)

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 for the year ended March 31, 2019 (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 116 Leases:

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind As 116 will replace the existing leases Standard, Ind As 17 Leases, and related interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind As 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of profit & loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17. The effective date for adoption of Ind AS 116 is financial periods beginning on or after April 1, 2019. The standard permits two possible methods of transition. - Full retrospective - Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors. - Modified retrospective - Retrospectively, with the cumulative effect of initially applying the Standard recognized at the date of initial application. The Company is evaluating the requirements of the standard and the impact on the financial statements is not expected to be material.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments:

On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12, Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates. The standard permits two possible methods of transition :- - Full retrospective - Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight. - Retrospectively, with cumulative effect of initially applying Appendix C recognized by adjusting equity on initial application, without adjusting comparatives. The Company is evaluating the requirements of the standard and the impact on the financial statements is not expected to be material.

Amendment to Ind AS 12 - Income taxes:

On March 30, 2019, Ministry of Corporate Affairs issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. Effective date for application of this amendment is financial periods beginning on or after April 1, 2019. The Company is evaluating the requirements of the standard and the impact on the financial statements is not expected to be material.

Amendment to Ind AS 19 - plan amendment, curtailment or settlement:

On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements. The amendments require an entity: - to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and - to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The Company is evaluating the requirements of the standard and the impact on the financial statements is not expected to be material.

Notes to the financial statements for the year ended March 31, 2019 (*Contd.*)

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 for the year ended March 31, 2019 (Contd.)
(All amounts in INR lakhs unless otherwise stated)

2 Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computers	Total	Capital work-in-progress [Note (c) below]
Year ended March 31, 2018									
<i>Gross carrying amount</i>									
Opening	394	4,966	16,533	50	-	13	2	21,958	10,808
Additions	-	2,372	12,349	31	15	30	-	14,797	4,340
Disposals	-	-	7	-	-	-	-	7	-
Transfers	-	-	-	-	-	-	-	-	(14,797)
Closing	394	7,338	28,875	81	15	43	2	36,748	351
<i>Accumulated depreciation</i>									
Opening	-	433	4,837	9	-	5	2	5,286	-
Depreciation charge for the year	-	324	3,329	4	2	2	0	3,661	-
Disposals	-	-	5	-	-	-	-	5	-
Closing	-	757	8,161	13	2	7	2	8,942	-
Net carrying amount as at March 31, 2018	394	6,581	20,714	68	13	36	-	27,806	351
Year ended March 31, 2019									
<i>Gross carrying amount</i>									
Opening	394	7,338	28,875	81	15	43	2	36,748	351
Additions	-	511	505	21	-	1	-	1,038	814
Disposals	-	-	116	-	-	-	-	116	-
Transfers	-	-	-	-	-	-	-	-	(1,038)
Closing	394	7,849	29,264	102	15	44	2	37,670	127
<i>Accumulated depreciation</i>									
Opening	-	757	8,161	13	2	7	2	8,942	-
Depreciation charge for the year	-	510	4,332	7	4	8	-	4,861	-
Disposals	-	-	116	-	-	-	-	116	-
Closing	-	1,267	12,377	20	6	15	2	13,687	-
Net carrying amount as at March 31, 2019	394	6,582	16,887	82	9	29	-	23,983	127

- 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 for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
3.1 Government grant*		
Non current		
Unsecured, considered good	10,463	3,343
Unsecured, considered doubtful	1,000	-
Less: Allowance for government grant	(2,686)	-
	8,777	3,343
Current		
Unsecured, considered good	8,929	16,748
Less: Allowance for government grant	-	-
	8,929	16,748
 * Refer note 26		
	As at March 31, 2019	As at March 31, 2018
3.2 Loans		
Non-current		
<i>Unsecured, considered good</i>		
Security deposits	43	66
	43	66
	As at March 31, 2019	As at March 31, 2018
4 Other non-current assets		
<i>Unsecured, considered good unless otherwise stated</i>		
Capital advances		
- Considered good [Refer note below]	2,051	2,041
- Considered doubtful	6	6
Prepaid expenses	-	1
Balances with government authorities		
- Considered good	1,167	831
- Considered doubtful	11	131
Others	32	32
	3,267	3,042
Less: Allowance for doubtful balances	(17)	(137)
	3,250	2,905

Note: Capital advances considered good includes an amount of INR 1,993 (2018: INR 1,993) 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 execute the sale deed and have the same registered in due course.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
5 Inventories		
<i>(Valued at lower of cost and net realisable value)</i>		
Raw materials	1,790	2,489
Work-in-progress	2,624	668
Finished goods	833	533
Stores, spares and consumables	507	410
	5,754	4,100

Write down of inventory to net realisable value and allowance for obsolete inventories amounted to INR 152 (2018: INR 254). The net amount is recognised as an expense during the year and is included in Cost of materials consumed in the Statement of Profit and Loss.

	As at March 31, 2019	As at March 31, 2018
6 Trade receivables		
Receivables from related parties	-	-
Others	33	41
Less: Loss allowance	(22)	(22)
	11	19
Current portion	11	19
Non-current portion	-	-
Details of securities/categorisation of credit risk of trade receivables		
Trade receivables considered good- Secured	-	-
Trade receivables considered good- Unsecured	11	19
Trade receivables which have significant increase in credit risk	-	-
Trade receivables - credit impaired	22	22
Total	33	41
Loss allowance	(22)	(22)
Total trade receivables	11	19

	As at March 31, 2019	As at March 31, 2018
7 Cash and cash equivalents		
Balances with banks		
in current accounts	27	22
	27	22

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
8 Other financial assets		
Receivable from related parties (refer note 36)	15	17
	15	17
	As at March 31, 2019	As at March 31, 2018
9 Other current assets		
<i>Unsecured, considered good unless otherwise stated</i>		
Sales tax receivable		
- Considered good	308	308
- Considered doubtful	88	88
Advance to suppliers		
- Considered good	113	198
- Considered doubtful	15	15
Prepaid expenses	136	76
Balances with government authorities	9	6
Other advances		
- Considered good	8	10
- Considered doubtful	108	108
	785	809
Less: Allowance for doubtful balances	(211)	(211)
Total	574	598

10.1 Equity share capital

	As at March 31, 2019	As at March 31, 2018
Authorised		
17,500,000 (2018: 17,500,000) equity shares of INR 10 each	1,750	1,750
2,500,000 (2018: 2,500,000) preference shares of INR 10 each	250	250
	2,000	2,000
Issued, subscribed and fully paid up		
13,388,200 (2018: 13,388,200) equity shares of INR 10 each	1,339	1,339
Forfeited shares, partly paid up		
62,400 (2018: 62,400) equity shares, INR 5 paid up	3	3
	1,342	1,342

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

a) Reconciliation of the number of shares outstanding

	As at March 31, 2019		As at March 31, 2018	
	Number of shares	Amount	Number of shares	Amount
Equity shares:				
Balance as at the beginning of the year	13,388,200	1,339	13,388,200	1,339
Add: Movement during the year	-	-	-	-
Balance as at the end of the year	13,388,200	1,339	13,388,200	1,339

b) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of INR 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, if any in proportion to their shareholding.

c) Shares held by holding company

	As at March 31, 2019		As at March 31, 2018	
	Number of shares	Amount	Number of shares	Amount
United Spirits Limited	10,041,150	1,004	10,041,150	1,004

d) Details of shareholders holding more than 5% of the shares in the Company

	Nos.	% of Holding	Nos.	% of Holding
United Spirits Limited	10,041,150	75.00%	10,041,150	75.00%

- e) There are no shares issued as bonus during the period of five years immediately preceeding the reporting date.
- f) There are no shares bought back during the period of five years immediately preceeding the reporting date.
- g) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceeding the reporting date.

10.2 Reserves and surplus

	As at March 31, 2019	As at March 31, 2018
Capital reserve	660	660
Securities premium	621	621
Capital redemption reserve	235	235
Retained earnings	(7,021)	(300)
	(5,505)	1,216

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

Nature and purpose of other reservesa) *Capital reserve*

Capital reserve relates to subsidy received and recorded under erstwhile GAAP. The balance is utilised in accordance with the provisions of the Act.

b) *Securities premium*

Securities premium is credited when shares are issued at premium. The balance is utilised in accordance with the provisions of the Act.

c) *Capital redemption reserve*

Capital redemption reserve represents reserve created at the time of redemption of redeemable preference shares. The balance is utilised in accordance with the provisions of the Act.

11 Non-current borrowings*Unsecured*

	As at March 31, 2019	As at March 31, 2018
Sales tax deferment [refer note (a) below]	1,014	1,279
Term loan from holding company [refer note (b) below]	13,539	13,539
	14,553	14,818
Less: Current maturities of Sales tax deferment (refer note 12)	(382)	(265)
	14,171	14,553

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 with final installment due in 2024-25.
- (b) Term loan from holding company is repayable on August 16, 2026. The rate of interest on term loan from holding Company is 9% (2018: 9%). Also refer note 36.

Net debt reconciliation

	As at March 31, 2019	As at March 31, 2018
Current borrowings	(28,083)	(15,792)
Non-current borrowings*	(14,553)	(14,818)
Interest accrued	(8,645)	(7,548)
	(51,281)	(38,158)

*Includes current maturities of non-current borrowings.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

Net debt movement

	Liabilities from financing activities		Total
	Current borrowings	Non-current borrowings**	
Net debt as at April 01, 2017	(7,969)	(21,450)	(29,419)
Cash flows	(7,823)	122	(7,701)
Interest expense	(840)	(1,356)	(2,196)
Interest paid	840	318	1,158
Net debt as at April 01, 2018	(15,792)	(22,366)	(38,158)
Cash flows	(12,291)	265	(12,026)
Interest expense^	(1,543)	(1,345)	(2,888)
Interest paid	1,543	248	1,791
Net debt as at March 31, 2019	(28,083)	(23,198)	(51,281)

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

^Excludes interest on income taxes amounting to INR 48 (refer note 32).

12 Other financial liabilities**Non-current**

	As at March 31, 2019	As at March 31, 2018
Interest accrued but not due (refer note 36)	8,645	7,548
	8,645	7,548

Current

Current maturities of sales tax deferment	382	265
Security deposits	29	88
Capital creditors	290	606
Employee payables	80	75
Other payables	40	80
	821	1,114

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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
13 Current borrowings		
<i>Unsecured</i>		
Bank overdraft	9,783	7,792
Short-term loan from bank	18,300	8,000
	28,083	15,792
Note:		
(a) Bank overdraft and short term loans are repayable on demand and carry interest rates ranging from 8% to 9% p.a. (2018: 8% to 8.5% p.a.).		
(b) United Spirits Limited, the holding company has furnished letter of comfort to the bank for the aforesaid loans outstanding as at year end.		
14 Trade payables		
<i>Current</i>		
Dues to Micro and Small Enterprises	41	34
Dues to creditors other than Micro and Small Enterprises	2,175	2,173
	2,216	2,207
15 Provisions		
<i>Non-current</i>		
Employee benefits		
Gratuity (refer note 31)	138	61
	138	61
<i>Current</i>		
Employee benefits		
Compensated absences	62	88
Other provisions	87	87
	149	175

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

	As at April 1, 2018	Additions during the year	Utilised/ reversed during the year	As at March 31, 2019
Indirect tax matters (refer note below)	36	-	-	36
Legal claims (refer note below)	51	-	-	51
	87	-	-	87

Note:

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 for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
16 Other current liabilities		
Advance from customers	14	93
Advance from holding company (refer note 36)		
- Trade advance	7,435	14,811
- Payable/(Receivable) towards tie-up manufacturing arrangement (refer note 37)	498	(2,027)
- Net working capital under tie-up manufacturing arrangement (refer note 37)	(498)	2,027
Statutory dues	141	264
	7,590	15,168
	For the year ended March 31, 2019	For the year ended March 31, 2018
17 Revenue from operations		
Revenue from contracts with customers:		
Sale of products (including excise duty)	12,354	11,837
Sale of services		
Income under tie-up manufacturing arrangement (refer note 37)	468	533
Other operating revenue		
Sale of scrap and by-product	1,016	1,130
	13,838	13,500

The Company does not have any unsatisfied performance obligations as at the year end.

* As permitted under the transitional provisions in Ind AS 115, the transaction price allocated to partially unsatisfied performance obligations as at March 31, 2018 is not disclosed.

Reconciliation of revenue recognised with contract price

	March 31, 2019	March 31, 2018
Contract price	13,838	13,500
Adjustments	-	-
Revenue from operations	13,838	13,500

Effective April 1, 2018, the Company has adopted Indian Accounting Standard 115 (Revenue from contracts with customers). The new standard is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all sales contracts. It replaces the separate models for goods, services and construction contracts under previous standards (Indian Accounting Standard 11 and Indian Accounting Standard 18) which was based on the concept of transfer of risks and rewards.

The Company has completed the evaluation of its commercial arrangements with customers. The impact on adoption of the Indian Accounting Standard 115 for the year ended March 31, 2019 is not material.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	For the year ended March 31, 2019	For the year ended March 31, 2018
18 Other income		
Interest income on deposits	2	1
Unwinding of interest on government grant	301	-
Profit on sale of property, plant and equipments	-	189
Provision/ Liabilities no longer required written back	131	91
Miscellaneous income	3	-
	437	281
19 Cost of materials consumed*		
Raw materials, stores, spares and consumables at the beginning of the year	2,899	5,153
Add: Purchases	11,010	8,920
Less: Raw materials, stores, spares and consumables at the end of the year	2,297	2,899
	11,612	11,174
* Cost of materials consumed includes charge of INR 288 (2018: 22) towards differences noted during physicial verification.		
20 Changes in inventories of work-in progress and finished goods		
Opening balance		
Work-in-progress	668	42
Finished goods	533	248
	1,201	290
Closing balance		
Work-in-progress	2,624	668
Finished goods	833	533
	3,457	1,201
	(2,256)	(911)
21 Employee benefit expense		
Salaries, wages and bonus	890	914
Contribution to provident fund (refer note 41)	55	52
Gratuity (refer note 31)	29	42
Staff welfare expenses	41	45
	1,015	1,053

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	For the year ended March 31, 2019	For the year ended March 31, 2018
22 Finance costs		
Interest expense		
- Interest on borrowings from holding company (refer note 36)	1,219	1,219
- Interest on working capital loan/ bank overdraft	1,543	778
- Other interest	65	61
Guarantee commission (refer note 36)	-	59
Unwinding of interest on sales tax deferment	109	137
	2,936	2,254
23 Depreciation expense		
Depreciation on property, plant and equipment (refer note 2)	4,861	3,661
	4,861	3,661
24 Other expenses		
Power and fuel	143	302
Rent	47	58
Sub-contracting wages	749	725
Repairs and maintenance		
Buildings	282	96
Plant and equipment	1,035	643
Others	110	101
Rates and taxes	220	384
Insurance	36	27
Travelling and conveyance	60	50
Legal and professional	160	264
Provision for bad and doubtful debts	-	15
Provision for bad and doubtful advances	-	22
Directors' sitting fees (refer note 36)	16	8
Auditor's remuneration (including applicable taxes)		
Statutory audit fees	20	16
Limited review fees	12	11
Tax audit fees	2	2
Re-imbursement of expenses	1	0
Printing and stationery	31	32
Security services	77	136
Selling and distribution expenses	-	2
Corporate social responsibility expenditure [Refer note 39]	21	-
Miscellaneous expenses	106	148
	3,128	3,042

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

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

	As at March 31, 2019	As at March 31, 2018
(i) Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	41	34
(ii) Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	13	0
(iii) Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	341	132
(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	12	1
(vii) Further interest remaining due and payable for earlier years	1	-

- 26** (i) 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 INR 26,000. Upon receipt of eligibility certificates for INR Nil (2018: 18,049) during the year, the Company has recognised INR Nil (2018: 16,685) representing present value of such receivables INR Nil (INR: 18,049) as government grant income in the Statement of profit and loss.

- (ii) During the year the Company had received a communication from the concerned Government department, amending certain terms of eligibility (‘Amended Sanction Letter’). The Company had carried out an internal assessment supported by a legal opinion in respect of the above and had filed a revised claim. Subsequently, the said Amended Sanction Letter had been further revised by the concerned Government department restoring certain terms that were amended earlier. Consequently, the Company had recognised an allowance of INR 1,000 as expected credit loss on account of impairment. Further, the Company has reassessed the timing of cash inflows since initial recognition and has recognised an allowance of INR 1,686 during the year ended March 31, 2019. The aggregate amount of INR 2,686 is disclosed as ‘Allowance for government grant’ under Statement of Profit and Loss. Movement in loss allowance balance is given below.

	March 31, 2019	March 31, 2018
Opening balance	-	-
Additions	2,686	-
Reversals	-	-
Closing balance	2,686	-

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
27 Contingent liabilities		
<i>Claims against the Company not acknowledged as debts</i>		
(i) Income tax matters [Refer Note (a) below]	76	76
(ii) Other civil litigations [Refer Note (b) below]	65	-
	141	76

(iii) The Company has filed a petition before the High Court of Judicature at Bombay Bench at Aurangabad challenging multiple demands raised by Water Resource Department, State of Maharashtra levying increased water charges and an interim relief against any coercive steps has been received. It is not practical to estimate the potential effect of this claim, but based on legal advice obtained, the Company believes that it is not probable that a significant liability will arise.

(iv) The Company has filed a petition before the High Court of Judicature at Bombay Bench at Aurangabad challenging the notification increasing the transport pass fees on its raw material and an interim relief has been received. It is not practical to estimate the potential effect of this claim, but based on legal advice obtained, the Company believes that it is not probable that a significant liability will arise.

The Company operates in a regulated environment. The management, based on internal and external expert opinion, has assessed outflow arising from existing litigations and notices received as possible, probable and remote. Provisions are made for matters where outflows are assessed to be probable and disclosed as contingent liability in cases where these are assessed as possible including for matters where the amounts are not quantifiable. Matters where the outflow is assessed to be remote have not been disclosed in the financial statement.

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

Notes:

- (a) Income taxes- Income tax matters primarily relate to exposures on account of certain disallowances that the Company had claimed as deductions in its Income Tax returns.
- (b) Other civil litigations - Other civil litigations relate to various claims from third parties under dispute which are lying with various courts/ appellate authorities.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	As at March 31, 2019	As at March 31, 2018
28 Capital commitments		
Estimated amounts of contracts remaining to be executed on capital account and not provided for:		
Property, plant and equipment (net of advances)	623	653

29 Basic and diluted earnings/ (loss) per share		
	March 31, 2019	March 31, 2018
Profit/ (Loss) attributed to equity holders	(6,708)	7,001
Weighted average number of equity shares (in numbers)	13,388,200	13,388,200
Nominal value of equity shares (in Rupees)	10	10
Basic and diluted earnings/ (loss) per share (in Rupees)	(50.10)	52.29

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.

The Company has two external customers individually contributing to more than ten percent or more of the Company's revenues.

31 Employee benefit obligations

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 employee's 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 is managed by an insurance company.

	Present Value of Obligation	Fair Value of plan assets	Net amount
As of April 1, 2017	196	(100)	96
Current service cost	35	-	35
Past service cost	0	-	0
Interest expense/(income)	14	(7)	7
Total amount recognised in profit and loss	49	(7)	42

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

	Present Value of Obligation	Fair Value of plan assets	Net amount
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Net actuarial (gain)/loss			
(Gain)/loss on plan assets	-	3	3
Change in experience	(22)	-	(22)
Change in demographic assumptions	(41)	-	(41)
Change in financial assumptions	(1)	-	(1)
Total amount recognised to comprehensive income	(64)	3	(61)
Employer contribution	-	(16)	(16)
Benefits payment	-	-	-
As of March 31, 2018	181	(120)	61
As of April 1, 2018	181	(120)	61
Current service cost	24	-	24
Past service cost	-	-	-
Interest expense/(income)	13	(9)	4
Total amount recognised in profit and loss	37	(9)	28
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Net actuarial (gain)/loss			
(Gain)/loss on plan assets	-	(1)	(1)
Change in experience	18	-	18
Change in demographic assumptions	-	-	-
Change in financial assumptions	4	-	4
Total amount recognised to comprehensive income	22	(1)	21
Obligations relating to employees transferred from holding company	47	-	47
Employer contribution	-	-	-
Benefits payment	(19)	-	(19)
As of March 31, 2019	268	(130)	138

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

The net liability disclosed in note 15 relates to funded plan as follows:

	As at March 31, 2019	As at March 31, 2018
Present value of funded obligations	268	181
Fair value of plan assets	(130)	(120)
Deficit of funded plan	138	61

Significant estimates: Actuarial assumptions and Sensitivity**Financial assumption:**

Discount rate	7.15%	7.45%
Salary escalation rate	10.00%	10.00%

Demographic assumption:

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

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	(284)	(192)
b) Discount rate + 100 basis points	254	(170)

Salary escalation rate

a) Rate - 100 basis points	(254)	(171)
a) Rate + 100 basis points	283	192

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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

The major categories of plan asset are as follows:

	As at March 31, 2019	As at March 31, 2018
Equities	0%	0%
Bonds	0%	0%
Gilts	0%	0%
Pooled assets with an insurance company	100%	100%
Other	0%	0%
	100%	100%

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

	March 31, 2019	March 31, 2018
Year 1	33	21
Year 2	32	21
Year 3	32	20
Year 4	32	21
Year 5	27	22
Year 6-10	134	91

The weighted average duration of the defined benefit obligation is 11.63 years (2018: 9.94 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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

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

	Year ended March 31, 2019	Year ended March 31, 2018
Current tax		
Income tax for the year (MAT)	-	1,037
Tax relating to earlier years (MAT)	131	-
MAT credit utilised/ (availed)	(131)	(1,037)
Total current tax	-	-
Deferred tax		
(Increase)/ Decrease in deferred tax asset	(2,999)	3,180
Total deferred income tax expense/ (credit)	(2,999)	3,180
Total deferred income tax expense/ (credit)	(2,999)	3,180

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

(b) Reconciliation of effective tax rate

	Year ended March 31, 2019	Year ended March 31, 2018
Profit /(loss) before taxation	(9,707)	10,181
Enacted income tax rate in India	31.20%	30.90%
Tax at the enacted income tax rate	(3,029)	3,146
Tax effects of amounts which are not deductible in calculating taxable income:		
Corporate social responsibility expenditure	7	-
Expenses not allowable for taxes	16	-
Interest on income taxes	15	17
Adjustments for taxes of prior periods	9	12
Others	1	5
Effect of change in substantially enacted tax rate	(18)	-
Tax expense/ (credit)	(2,999)	3,180
Taxes paid that are eligible for credit (MAT)	(131)	(1,037)
Movement in deferred tax assets (net)	(3,130)	2,143

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

(c) The movement in deferred tax assets and liabilities during the year ended March 31, 2019:

	As at March 31, 2018	Credit/ (charge) in Statement of profit and loss	Credit/(charge) in Other comprehensive income	As at March 31, 2019
Deferred tax assets/(liabilities)				
Provision/ allowance for doubtful debts, advances and government grant	86	272	-	358
Expenses allowable on payment basis	66	17	8	91
Property, plant and equipment	(2,260)	(4)	-	(2,264)
Carry forward losses (including unabsorbed depreciation)	3,618	2,244	-	5,862
MAT credit	1,037	131	-	1,168
Financial assets at amortised cost (Government grant)	421	437	-	858
Financial liabilities at amortised cost	(84)	33	-	(51)
	2,884	3,130	8	6,022
	As at March 31, 2017	Credit/ (charge) in Statement of profit and loss	Credit/(charge) in Other comprehensive income	As at March 31, 2018
Deferred tax assets/(liabilities)				
Provision/ Allowance for doubtful debts and advances	88	(2)	-	86
Expenses allowable on payment basis	69	16	(19)	66
Property, plant and equipment	(1,874)	(386)	-	(2,260)
Carry forward losses (including unabsorbed depreciation)	6,889	(3,271)	-	3,618
MAT credit	-	1,037	-	1,037
Financial assets at amortised cost (Government grant)	-	421	-	421
Financial liabilities at amortised cost	(126)	42	-	(84)
	5,046	(2,143)	(19)	2,884

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

(d) Unabsorbed business losses

The Company has tax losses (including unabsorbed depreciation) of INR 18,789 (2018: INR 11,708) and MAT credit INR 1,168 (2018: INR 1,037) 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 details of expiry of these unused tax losses and unabsorbed depreciation are given below:

	31 March 2019	Expiry period	31 March 2018	Expiry period
Carried forward business loss	2,305	8 years	-	NA
Unabsorbed depreciation	16,484	Indefinite	11,708	Indefinite
MAT credit	1,168	14 years	1,037	15 years

The Company continues to recognise deferred tax assets based on approved future business plans and cash flow projections. Based on the projections, management believes that the company will have sufficient taxable profits in future periods that will be utilised to reverse the deferred tax assets on brought forward losses, unabsorbed depreciation and MAT credit.

(e) Income tax assets (Net)

	Year ended March 31, 2019	Year ended March 31, 2018
Opening Balance	317	59
Add: Taxes Paid	0	1,295
Less: Current tax payable for the year	(131)	(1,037)
Less: Interest paid on Income Tax	(48)	-
Closing Balance	138	317

33 Financial risk factors

The Company's principal financial liabilities comprise borrowings, advances, deposits, accrued interest 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 are derived 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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

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.

(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, 2019	As at March 31, 2018
Unsecured facility from Bank, repayable at demand	6,917	4,208
Unsecured term loan facility from the holding company	15,000	-

(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
As at March 31, 2018					
Non-derivative liabilities					
Borrowings	30,610	15,792	-	265	14,553
Trade payables	2,207	-	2,207	-	-
Other financial liabilities	8,397	-	849	-	7,548
	41,214	15,792	3,056	265	22,101
	Carrying amount	Payable on demand	Less than 1 month	1-12 months	more than 12 months
As at March 31, 2019					
Non-derivative liabilities					
Borrowings	42,636	28,083	-	382	14,171
Trade payables	2,216	-	2,216	-	-
Other financial liabilities	9,084	-	439	-	8,645
	53,936	28,083	2,655	382	22,816

(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.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

(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 borrowings from holding company 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. Company's main interest rate risk arises from working capital loan and short term loan from bank with floating rate.

The exposure of the company's working capital loan and short term loan from the bank to interest rate of changes at the end of reporting period are as follows:

	As at March 31, 2019	As at March 31, 2018
Floating rate borrowings	28,083	15,792
Fixed rate borrowings	14,553	14,818
Total borrowings	42,636	30,610
Sensitivity		

Profit or loss is sensitive to fluctuation in interest rates as below:

	As at March 31, 2019	As at March 31, 2018
Interest rates		
Increase by 50 bps	(140)	(79)
Decrease by 50 bps	140	79

(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. Other sales are mostly on cash basis. Hence, the credit exposure is assessed to be negligible.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

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, 2019	As at March 31, 2018
43	66
43	66

Exposure to the Credit risks

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

- Trade Receivables

As at March 31, 2019	As at March 31, 2018
11	19

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

Ageing of the accounts receivables

Not due

0-30 days

30-60 days

60-90 days

90-180 days

> 180 days

As at March 31, 2019	As at March 31, 2018
-	-
2	15
6	-
2	-
1	0
22	26
33	41

Movement in provisions/ loss allowances

Opening provision/ allowances

Add: Additional provision/ allowances made*

Less: Provision/ allowances write off/ reversed

Less: Provision/ allowances utilised against bad debts

Closing provisions/ allowances

As at March 31, 2019	As at March 31, 2018
371	285
2,675	86
(131)	-
-	-
2,915	371

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

34 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.

35 Capital 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, 2019	As at March 31, 2018
Total equity attributable to equity shareholders of the Company	(4,163)	2,558
Net debt (Total borrowings less cash and cash equivalents)	42,609	30,588
Gearing ratio (net debt/ total equity)	-1024%	1196%

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

Tanqueray Gordan & Company Ltd., intermediate holding company

Relay BV, intermediate holding company

(b) Fellow subsidairies :

Sovereign Distilleries Limited

Tern Distilleries Private Limited

Four Seasons Wines Limited (up to January 16, 2019)

(c) Key management personnel :**Non-executive directors**

(i) R Krishnamurthy, Chairman

(ii) Srivathsala K N (w.e.f. October 2, 2018)

(iii) Mamta Sundara

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

- (iv) Ajay Kumar Goel
- (v) Sanjeev Kumar Gupta
- (vi) Junia Sebastian (up to October 1, 2018)

Executive director

- (i) Ravi Varma, Managing Director (w.e.f. October 3, 2018) (refer note 36E below)
- (ii) B V Krishna Reddy, Managing Director (Up to October 2, 2018)

(c) Employees' benefit plans :

Pioneer Distilleries Employees' Gratuity Trust

B Summary of transactions with related parties during the year is as follows:

	For the year ended March 31, 2019	For the year ended March 31, 2018
Immediate holding company*		
- Sale of goods	7,967	6,139
- Finance costs (including guarantee commission)	1,219	1,277
- Income under tie-up manufacturing arrangement	468	533
- Transfer of employee benefits obligation	47	-
- Interest paid	122	122
Fellow subsidiaries		
- Salary recharge (outbound)	11	19
- Purchase of property, plant and equipments	-	71
Key management personnel		
Executive directors		
- Remuneration^	94	85
Non-executive directors		
- Sitting fee	16	8
Employees' benefit plans		
- Contribution to fund	-	16

*Excludes gross sale of IMFL amounting to INR 10 (2018: INR 39,099), purchase of key ingredients amounting to INR 184 (2018: INR 325) under tie-up manufacturing arrangement as explained in note 37(c) and casks supplied by the holding Company to the Company without consideration for malt maturation.

^As the liabilities for defined benefit plans are provided on actuarial basis for the Company as a whole, the amounts pertaining to continuing Key Management Personnel is not included.

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

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

	As at March 31, 2019	As at March 31, 2018
Immediate holding company		
- Non-current borrowing	(13,539)	(13,539)
- Interest accrued but not due on above	(8,645)	(7,548)
- Trade advance	(7,435)	(14,811)
- Receivable/(Payable) towards tie-up manufacturing arrangement (refer note 37)	(498)	2,027
Fellow subsidiaries		
- Receivable towards salary recharges	15	17
Employees' benefit plans		
- Payable towards employee obligations	138	61

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.

E The appointment of and the remuneration payable to the Managing Director is pending approval of shareholders at the ensuing annual general meeting of the Company.**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 115 on 'Revenue from contracts with customers', the Company has assessed its relationship with USL to be that of an agent. Risk and rewards of the activity rests with USL. Further, under the arrangement, the Company is entitled to bottling fees which is determined based on output and volume.
- (b) The income under tie-up manufacturing arrangement included in Revenue from operations is as below:

	For the year ended March 31, 2019	For the year ended March 31, 2018
Income under tie-up manufacturing agreement	468	533

- (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, 2019	For the year ended March 31, 2018
Gross sales	54,814	51,589
Excise duty	(39,054)	(41,877)
Cost of goods sold	(15,760)	(9,712)
Net Impact	-	-

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

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

	As at March 31, 2019	As at March 31, 2018
Financial assets		
Trade receivable	2,777	-
Other current assets	319	289
Inventories	1,067	1,538
Financial liabilities		
Trade payables	(790)	(977)
Other current financial liabilities	(602)	(876)
Other current liabilities	(2,273)	(2,001)
	498	(2,027)

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

	Buildings	Plant and equipment	Total
Year ended March 31, 2018			
<i>Gross carrying amount</i>			
Opening	1,889	991	2,880
Additions	24	286	310
Closing gross carrying amount	1,913	1,277	3,190

Accumulated depreciation

Opening	165	107	272
Depreciation charge for the year	83	71	154
Closing accumulated depreciation	248	178	426
Net carrying amount	1,665	1,099	2,764

Year ended March 31, 2019*Gross carrying amount*

Opening	1,913	1,277	3,190
Additions	-	24	24
Closing gross carrying amount	1,913	1,301	3,214

Accumulated depreciation

Opening	248	178	426
Depreciation charge for the year	83	89	172
Closing accumulated depreciation	331	267	598
Net carrying amount	1,582	1,034	2,616

Notes to the financial statements for the year ended March 31, 2019 (Contd.)

(All amounts in INR lakhs unless otherwise stated)

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 INR 47 (2018: INR 58). The Company does not have any non-cancellable leases and thus no disclosures in this regard is given.
- (b) Refer note 37 (e) for disclosures relating to property, plant and equipment used in tie-up manufacturing arrangement.

39 Corporate social responsibility expenditure

	For the year ended March 31, 2019	For the year ended March 31, 2018
a. Gross amount required to be spent by the company	73	-
b. Amount spent during the year on:		
(i) Construction/ repair of canal & borewell near Dharmabad		
Paid in cash	14	-
Yet to be paid	-	-
(ii) Water and soil conservation project in Maharashtra		
Paid in cash	6	-
Yet to be paid	-	-
(iii) On purposes other than (i) & (ii) above		
Paid in cash	1	-
Yet to be paid	-	-
	21	-

40 In view of the letter of support received from the holding company, United Spirits Limited and Company's business plan, these financial statements are prepared on a going concern basis.

41 The Company is in the process of evaluating the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in the financial statements.

42 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 Registration Number - 304026E/E-300009

Gautam Dharamshi

Partner

Membership Number - 042393

Place: Bengaluru

Date: May 13, 2019

For and on behalf of the Board of Directors**R. Krishnamurthy**

Chairman

DIN: 06940830

Sanjoy Sarkar

Chief Financial Officer

Ravi Varma

Managing Director

DIN: 02168293

Akshara B L

Company Secretary

Place: Bengaluru

Date: May 13, 2019

If undelivered please return to:
Venture Capital and Corporate Investments Private Limited
(Unit : Pioneer Distilleries Limited)
12-10-167, Bharat Nagar, Hyderabad - 500 018
Tel. : 040 - 2381 8475 / 76 Fax : 040 2386 8024