

**UNITED SPIRITS**

September 4, 2014

1. Bangalore Stock Exchange Limited
(Scrip Code: McDowell)
No. 51, Stock Exchange Towers,
1st Cross, J.C. Road,
Bangalore – 560 027.
2. National Stock Exchange of India Limited
(Scrip Code: MCDOWELL-N)
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 051.
3. BSE Limited
(Regular Office & Corporate Relations Dept-Scrip Code: 532432)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001.

Dear Sirs,

Sub: Outcome of the Board Meeting held on September 3, 2014.

This is further to our letter dated August 26, 2014.

The Audited Financial Statements of the Company for the year ended March 31, 2014 were considered and approved at the Meeting of the Board of Directors held on September 3, 2014, which continued past midnight (i.e., into September 4, 2014). The Board has not recommended any dividend on the equity shares of the Company in view of the losses incurred by the Company during the year 2013 - 14. The Audited Financial Results including Statement of Assets and Liabilities as at March 31, 2014 in the prescribed format under Clause 41 of the Listing Agreement along with the Auditors Report under clause 41 are enclosed.

We give below the details of the Audited Financial Statements for the year ended March 31, 2014, in terms of Clause 20 of the Listing Agreement:

United Spirits Limited

Registered Office : 'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001, India.

Tel : 91-80 3985 6500, 2221 0705, Fax : 91-80 3985 6862, 3985 6959, 3985 6607

www.unitedspirits.in

Corporate Identity Number : L01551KA1999PLC024991

UNITED SPIRITS

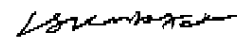
Continuation Sheet

	Current Financial year ended 31.03.2014	Previous Financial Year ended 31.03.2013
	Rs. in crores	Rs. in crores
1. Turnover	20,231.29	18,347.89
2. Gross Profit	(781.19)	342.44
3. Exceptional and other non-recurring items	4,321.63	21.65
4. <u>Net Profit:</u>	(5,102.82)	320.79
After providing for:		
- Depreciation	85.50	71.83
- Taxation (including deferred tax)	74.64	163.20
5. <u>Add:</u>		
- Surplus/(Loss) transferred from previous year	2,023.38	1,790.59
6. <u>Transfer to Reserves:</u>		
- Less: General Reserve	-	50.00
7. Dividend paid in respect to previous years	3.63	-
8. <u>Dividend recommended subject to necessary approvals:</u>	-	32.70
On 145,327,743 Equity Shares of Rs.10/- each @ Rs. ___/- per share (___%)	-	
9. Corporate Dividend Tax	0.44	5.30
10. Balance carried to Balance Sheet	(3,083.51)	2,023.38

Please take the above on your records and acknowledge receipt.

Thanking you,

**Yours faithfully,
For UNITED SPIRITS LIMITED**



**V.S.VENKATARAMAN
COMPANY SECRETARY**

Encl. as above



UNITED SPIRITS LIMITED
 'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

Part I: Statement of Audited Results for the three months and Year ended ended March 31, 2014

RS. Lakhs

Particulars	Standalone				Consolidated	
	3 Months Ended March 31,	Previous 3 Months Ended December 31,	3 Months Ended March 31,	Year Ended March 31,		Year Ended March 31,
	2014	2013	2013	2014	2013	2013
	Audited (Note 18)	Unaudited	Audited (Note 18)	Audited		
1 Income from operations	519,117	550,283	460,296	2,073,488	1,883,440	2,360,986
Less: Excise duty	327,422	322,443	273,678	1,230,853	1,051,623	1,310,894
						1,116,854
(a) Net sales/Income from operations	191,696	227,840	186,618	842,635	831,817	1,050,092
(b) Other operating income	2,639	3,020	524	9,025	6,557	11,449
						8,714
Total Income from operations (net)	194,334	230,860	187,142	851,660	838,374	1,061,541
						1,049,852
2 Expenses:						
a) Cost of materials consumed	96,513	133,873	91,560	447,750	409,524	544,489
b) Purchase of stock-in-trade	19,685	21,249	19,135	79,265	72,511	78,532
c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(4,240)	(15,168)	(3,729)	(23,097)	17,048	(44,066)
d) Employee benefits expense	14,607	15,550	7,980	58,444	43,471	85,023
e) Depreciation and amortisation expense	3,097	1,828	1,948	8,550	7,183	20,281
f) Other expenses:						
i) Advertisement & Sales Promotion	19,803	23,379	19,249	85,432	75,845	130,035
ii) Provision for doubtful debts/advances/deposits	101,275	-	144	101,275	144	112,316
(Includes prior period expenditure of Rs.649.55 Crores during the quarter and year ended March 31, 2014. Refer Note 7)						145
iii) Others	36,303	29,771	31,358	120,286	108,947	167,987
						157,870
Total Expenses	287,043	210,480	167,648	875,905	734,673	1,095,557
						936,015
3 Profit/(Loss) from Operations before other income, finance costs and exceptional items (1-2)	(92,709)	20,380	19,497	(24,245)	103,701	(34,016)
						113,847
4 a) Other income	(1,970)	6,194	5,942	13,174	10,158	12,214
b) Exchange Difference - Gain/(Loss)	(785)	(1,905)	811	1,716	2,323	58,378
						15,630
5 Profit/(Loss) from ordinary activities before finance costs and exceptional items (3+4)	(95,464)	24,669	26,350	(9,368)	116,182	34,576
						108,876
6 Finance costs	16,684	15,047	15,702	81,300	85,617	132,257
						90,491
7 Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5-6)	(112,128)	9,822	10,648	(70,655)	50,565	(97,681)
						8,385
8 Exceptional items - (expense) / income (Refer Note 5)	(432,163)	-	(2,165)	(432,163)	(2,165)	(323,573)
						(1,083)
9 Profit/(Loss) from ordinary activities before tax (7 + 8)	(544,291)	9,822	8,483	(502,818)	48,400	(421,254)
						7,302
10 Tax Expense:						
Current tax	(436)	2,555	2,710	13,502	16,710	15,811
Relating to earlier years	(3,840)	-	-	(3,840)	-	15,057
Deferred tax charge/(credit)	(2,003)	575	171	(2,198)	(390)	(3,245)
						90
11 Net Profit/(Loss) from ordinary activities after tax (9-10)	(538,010)	8,492	6,602	(510,282)	32,080	(448,877)
From Continuing Operation						(144,100)
From Discontinuing Operation (Note 5 (v))						(304,777)
						22,892
12 Extraordinary Items (Net of tax expense)	-	-	-	-	-	-
						-
13 Net Profit/(Loss) for the period (11-12)	(538,010)	8,492	6,602	(510,282)	32,080	(448,877)
						(10,503)
14 Share of Profit / (loss) of Associates	-	-	-	-	-	-
						-
15 Minority Interest in Profit / (Loss)	-	-	-	-	-	31
						(383)
16 Net Profit / (Loss) after taxes, minority Interest and share of profit/(loss) of associates (13+14 -15)	(538,010)	8,492	6,602	(510,282)	32,080	(448,808)
						(10,120)
14 Paid-up equity share capital (Face value Rs.10)	14,533	14,533	13,000	14,533	13,080	14,533
						12,587
15 Reserves excluding Revaluation Reserves as per Balance Sheet of previous accounting year				388,918	626,117	288,694
						486,143
16 Earnings per share of Rs.10 each (not annualised):						
a) Basic and Diluted relating to Continuing Operations	(370.20)	4.47	4.28	(356.60)	24.53	(101.73)
b) Basic and Diluted relating to Discontinuing Operations						(215.13)
c) Basic and Diluted relating to Total Operations	(370.20)	4.47	4.28	(356.60)	24.53	(316.88)
						(8.04)

Part II: Select information for the Quarter and year ended March 31, 2014

A. Particulars of Shareholding					
1 Public shareholding					
- Number of Shares	89,204,725	91,134,578	97,462,061	89,204,725	97,462,061
- Percentage of shareholding	61.38%	62.71%	74.52%	61.38%	74.52%
2 Promoters and Promoter Group Shareholding:					
a) Pledged / Encumbered					
- Number of Shares	13,613,197	15,198,543	32,318,127	13,613,197	32,318,127
- Percentage of shares	24.26%	28.05%	96.95%	24.26%	96.95%
(as a % of the total shareholding of promoter and promoter group)					
- Percentage of shares	9.37%	10.46%	24.71%	9.37%	24.71%
(as a % of the total share capital of the Company)					
b) Non-encumbered					
- Number of Shares	42,509,821	38,933,621	1,014,780	42,509,821	1,014,780
- Percentage of shares	75.74%	71.95%	3.04%	75.74%	3.04%
(as a % of the total shareholding of promoter and promoter group)					
- Percentage of shares	29.25%	26.83%	0.78%	29.25%	0.78%
(as a % of the total share capital of the Company)					
B. Investor Complaints					
Pending at the beginning of the quarter	Nil				
Received during the quarter	14				
Disposed of during the quarter	14				
Remaining unresolved at the end of the quarter	Nil				

United Spirits Limited
Audited Financial Results for the year ended March 31, 2014

Notes:

1. United Spirits Limited (the Company) is engaged in the business of manufacture, purchase and sale of Beverage Alcohol (Spirits and Wines), including through Tie-up Manufacturing / brand franchise, which constitute a single business segment. The Company is primarily organized into two main geographic segments namely India and Outside India. However, the Company's operations outside India did not exceed the quantitative threshold for disclosure in standalone financial results envisaged in AS-17 on "Segment Reporting" notified under the Companies (Accounting Standard) Rules 2006. In view of the above, both primary and secondary reporting disclosures for business/geographical segment as envisaged in AS-17 are not applicable to the Company.
2. a) On July 4, 2013 in terms of the Share Purchase Agreement dated November 9, 2012 between United Breweries (Holdings) Limited (UBHL), Kingfisher Finvest India Limited (KFIL), SWEW Benefit Company (SWEW), USL Benefit Trust (of which the Company is a beneficiary) (USLBT), Palmer Investment Group Limited (Palmer) and UB Sports Management Overseas Limited (UB Sports) with Relay B.V. and Diageo plc, the sale of 21,767,749 equity shares ("Sale Shares") of the Company in aggregate by UBHL, KFIL, SWEW, Palmer and UB Sports to Relay B.V. at a price of Rs.1,440/- per sale share were completed.

 b) Pursuant to the preferential allotment of equity shares to Relay B.V., the paid up share capital of the Company has increased to Rs.1,453,277,430/- divided into 145,327,743 equity shares of Rs.10 each.

 c) During the year, Relay B.V. (wholly owned subsidiary of Diageo plc), has further acquired through the open offer and from the open market 5,526,608 equity shares representing 3.80% of the equity share capital of the Company.

 d) Subsequent to the year end, Relay B.V. has further acquired 37,785,214 equity shares representing 26% of equity share capital of the Company through an open offer. As a result of the acquisition through open offer, Relay B.V. holds 79,612,346 equity shares representing 54.78% of equity share capital of the Company as on date and has become the holding company of the Company.
3. On November 8, 2013, the Board of Directors have approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ("Enrica") and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956 with an Appointed Date of April 1, 2013. The Scheme has been approved by the Equity Shareholders, Secured Creditors and Unsecured Creditors at their Court convened meeting held on June 16, 2014. The relevant Petition have been filed before the respective jurisdictional High Courts by the Company and Enrica and awaiting for their approval.

The Company has also entered into a Franchise Agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the Appointed Date up to the Effective Date, the royalty payable shall be a fixed amount per case or the Franchisee's profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the Effective Date royalty at net sales realization linked slab rate will accrue to the Company as per the Franchise Agreement.

United Spirits Limited
Audited Financial Results for the year ended March 31, 2014

Notes Contd.:

Pending approval of the scheme, no effect has been given in the financial statements of the current year. Considering the Franchise Agreement with Enrica, the difference between the royalty and the unit's profit in respect of the franchised products will not be significant when the Scheme is effective. In the interim, the Company holds the business and the net assets of the undertaking in trust on behalf of Enrica. A summary of the statement of profit and loss and the statement of assets and liabilities of the undertaking in Tamil Nadu for the year ended 31 March 2014 is as below:

Statement of profit and loss for the year ended March 31, 2014

Particulars	Rs. crores
Net sales	453.01
Material cost	317.91
Gross profit	135.10
Other expenses (including interest and depreciation)	126.85
Profit Before Tax	8.25

Statement of assets and liabilities as at March 31, 2014

Particulars	Rs. Crores
Total assets	210.17
Total liabilities	86.41
Net assets	123.76

4. During the current year, the Board of Directors at their meeting held on January 8, 2014, have approved the amalgamation of:

i) Tern Distilleries Private Limited, a wholly owned subsidiary of the Company (TERN) with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date April 1, 2013 (TERN Scheme). The entire operations of TERN comprise transactions with the Company. The net impact on the financial results of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company have approved the TERN Scheme at their Extraordinary General Meeting held on March 18, 2014 and the approval by the Board For Industrial and Financial Reconstruction (BIFR) is in progress. Pending approval of the TERN Scheme, no effect has been given in the financial statement. A summary of the statement of profit and loss and the statement of assets and liabilities of TERN for the year ended 31 March 2014 is as below:

Statement of profit and loss for the year ended March 31, 2014

Particulars	Rs. Crores
Total revenue	11.84
Total expenses	29.27
Extraordinary expenses	0.13
Loss for the year	(17.56)

Statement of assets and liabilities as at March 31, 2014

Particulars	Rs. Crores
Total assets	58.71
Total liabilities	7.24
Net assets	51.47

United Spirits Limited
Audited Financial Results for the year ended March 31, 2014

Notes Contd.:

ii) SW Finance Company Limited, a wholly owned subsidiary of the Company with the Company (SWFCL) with the appointed date January 1, 2014 (SWFCL Scheme) pursuant to the applicable provisions of the Companies Act, 1956, and subject to the sanction of the Hon'ble jurisdictional High Courts/any such competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, the SWFCL will stand merged with the Company. Pending approval of the SWFCL Scheme, no effect has been given in the financial statement. The operations of SWFCL are predominantly with the Company. The net impact on the financial results of the Company from such operations is expected to be immaterial when effected. A summary of statement of profit and loss and the statement of assets and liabilities for the year ended 31 March 2014 is as below:

Statement of profit and loss for the three months ended March 31, 2014

Particulars	Rs In Crores
Total revenue	15.11
Total expenses	0.04
Income tax	4.33
Profit for the period	10.74

Statement of assets and liabilities as at March 31, 2014

Particulars	Rs Crores
Total assets	14.11
Total liabilities	288.99
Net assets /(liabilities)	(274.88)

5. (i) Further to Diageo plc's undertakings offered to UK's Office of Fair Trade (now called Competition and Markets Authority, UK), in January 2014, the Company's Board of Directors decided to initiate a process based on the outlined time-table provided in connection with the decision of the OFT to explore a potential sale of all or part of Whyte and Mackay. As a culmination of this process, subsequent to the year end, on 9 May 2014 the Company's wholly owned subsidiary, United Spirits (Great Britain) Limited (seller or USGBL) entered into a Share Sale and Purchase agreement (SPA) with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited (WMG) for an Enterprise Value of £430 Million (calculated with a normalized level of working capital) from which deduction has been made for the payment of a warranty and indemnity insurance premium of £0.85 Million agreed between the seller and the purchaser. The Company has also obtained an opinion from a leading merchant banker and considers that the Enterprise Value is fair from a financial point of view of the Company.

(ii) The aggregate consideration for the sale of share capital of WMG payable to USGBL is approximately £429.15 Million ("Aggregate Consideration"), which is subject to adjustments following completion of the sale pursuant to the terms of the SPA ("Completion") reflecting : (a) movements in net working capital (above or below a pre-agreed threshold), net indebtedness and cash of the WMG between signing and Completion; and (b) an agreed sum of £ 19.2 Million in relation to the defined pension scheme deficit, net of pensions contributions for the period commencing April 1, 2014 ("Completion Accounts"). Further, the seller has given warranties and indemnities which are customary for a transaction of this nature and these are not currently expected to have any financial implication and will be reassessed at each reporting date.

United Spirits Limited
Audited Financial Results for the year ended, March 31, 2014

Notes Contd.:

(iii) The financial closure of the proposed transaction as contemplated by the terms of the SPA (as may be amended and modified from time to time), is subject to satisfaction of certain conditions precedent.

(iv) The equity shareholders of the Company have approved the proposed sale of WMG by USGBL. The Company has filed an application with Reserve Bank India (through authorized dealer of the Company) for approval. Further to the signing of the SPA, the following provisions have been recorded as an exceptional item in the stand-alone and consolidated financial statements.

(a) The net proceeds of sale will be insufficient to fully repay the intra-USL Group. Accordingly, the Company has recorded provision of Rs.3,614.24 Crores against the intra-USL Group Loan and has also recorded provision of Rs.2.22 Crores for diminution in the value of investment in USL Holdings Ltd., BVI in the stand-alone financial statements.

Particulars	Rs in Crores
Provision for Investment	2.22
Provision for loans given (net of FCTR balance of Rs.937.85 Crores)	3,614.24
Total	3,616.46

In addition to the above, based on the Management's assessments of the recoverability of the underlying assets, an aggregate provision for diminution in the value of investment of Rs.705.17 Crores has been made on investments held in Palmer Investment Group Limited Rs.691.78 Crores and Montrose International S.A Rs.13.39 Crores in the stand-alone financial statements.

The aggregate provision recorded in the stand alone financial statements amounts to Rs.4,321.63 Crores and has been disclosed as an exceptional item.

(b) Corresponding to the provision for doubtful advances and diminution in the value of investments recognised in the stand alone financial statement and impairment loss of Rs.3,235.73 Crores on goodwill of WMG, Palmer Investment Group Limited and Montrose International SA has been recognised in the Consolidated financial statement. This impairment loss is presented as an exceptional item.

(v) WMG represented significant geographical area of operation accounting for nearly 18% of the group income and qualifies as discontinuing operations under AS 24 Discontinuing Operations. Accordingly the net loss after Tax amounting to Rs.3,047.77 Crores of the Discontinuing Operations for the year ended March 31, 2014 has been disclosed separately in the Consolidated Financial Results of the Company. The carrying value of the assets and liabilities of the discontinued operations is as follows:

	March 31, 2014	Rs. crores March 31, 2013
Total assets	2,760.54	2,132.30
Total liabilities	792.03	530.60




United Spirits Limited
Audited Financial Results for the year ended March 31, 2014

Notes Contd.:

6. The Company on or prior to July 3, 2013, entered into certain agreements with entities which can be considered as directly or indirectly owned/controlled/significantly influenced by the promoter group, for the provision of services, use of trademarks/logos and sponsorship rights on normal commercial terms which are at arm's length and in the ordinary course of business. These agreements have been reviewed independently and confirmed to be on arm's length basis and reasonable. Such agreements are expected to yield benefits to the Company through improved brand visibility and also continually support the business of the Company. The Company has incurred expenses of Rs.71.95 Crores and Rs.181.50 Crores, arising from such agreements during the quarter and year ended March 31, 2014, respectively.
7. Certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they have advanced certain amounts to certain alleged UB Group entities, and that the dues owed by such parties to the Company will, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units (TMUs); agreements for specific projects; or dues owing to the Company from customers. These dues were duly confirmed by such parties as payable to the Company in such earlier years. However, such parties have now disputed such amounts as mentioned above. Details are as below:

Nature of Parties	Rs. Crores		
	Amount Claimed as due from alleged UB Group Entities	Interest Calimed as due from alleged UB Group entities	Total Amount owing to the Company which was disputed
(a) Debtors	195.00	35.02	230.02
(b) TMUs	188.00	22.68	210.68
(c) Project related parties	150.00	-	150.00
	533.00	57.70	590.70

In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. The results of this inquiry were as follows:

(i) One party (which falls under (a) above), who owes certain amounts to the Company, has disputed an amount of Rs. 224.07 Crores (including interest claimed by it as due from an alleged UB Group entity), alleging that it had advanced monies to such alleged UB Group entity based on an understanding that, to the extent of the amounts owed to it from such alleged UB Group entity in respect of such advance, it could withhold from the amounts payable by it to the Company, and such party has said that it would not pay its dues to the Company to the extent of the amounts claimed by it from such alleged UB Group entity as mentioned above, unless it received repayment of the amount advanced by it to such alleged UB Group entity along with interest.

(ii) Certain parties (which fall under [(a) and (b)] above), who owe certain amounts to the Company, have disputed an aggregate amount of Rs. 98.45 Crores (including interest claimed by them as due from certain alleged UB Group entities), alleging that they had advanced monies to such alleged UB Group entities and that, to the extent of such dues from such alleged UB Group entities, they would not repay the amounts owed by them to the Company unless they received repayment of the amounts advanced by them to such alleged UB Group entities.

United Spirits Limited
Audited Financial Results for the year ended March 31, 2014

Notes Contd.:

(iii) Certain other parties (which fall under [(b) and (c)] above) changed their original stand and acknowledged that their dues from the alleged UB Group entities were based on transactions that were independent of their dealings with the Company. These parties have subsequently provided appropriate confirmations of the relevant balances due from them to the Company. The related balances are Rs. 268.18 Crores.

(iv) In addition to the above, there is an additional party, being a TMU, whose allegations are on a similar basis to those of the parties mentioned at (iii) above and who has subsequently provided an appropriate confirmation of the balance due from it to the Company. However, this party's undertaking has closed down and the related balance of Rs. 64.85 Crores (including interest) has been provided in the current year.

(v) The claims made in relation to the advances to the parties (including the additional party) mentioned above may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the alleged UB Group entities. The aforesaid, however can only be confirmed by a detailed inquiry which has been authorized by the Board as mentioned below.

(vi) The Company is proposing to more fully inquire into the allegations or claims by the parties in detail and does not acknowledge the correctness of the same. In any event, the Management does not believe that the parties referred to above are entitled to withhold payment / repayment to the Company as claimed by them. The Management further believes that the Company is entitled to recover all the above amounts, including those disputed by certain parties as mentioned in notes (i) and (ii) above, as and when due from these parties. However, the Management has also examined the financial capability of some of these parties, based on which the Management has concluded that the ability of these parties to pay, and consequently the recoverability of, the relevant amounts is doubtful. After considering the above and other considerations and though the above claims were received only when the Company sought balance confirmations from the relevant parties for the year ended 31 March 2014, as a matter of prudence, a provision has been made in the accounts in respect of the dues from these parties (including interest claimed up to the various dates of the balance confirmations from these parties) as detailed below, and as these transactions relate to the period prior to 1 April 2013 they have been reflected as prior period items in the financial statements:

	Rs. Crores
Nature of Parties	Amount
(a) Debtors	230.02
(b) TMUs	269.53
(c) Project related parties	150.00
	649.55

Based on the current knowledge of the Management, the Management believes that the aforesaid provision is adequate and no additional material adjustments are likely to be required in relation to this matter.

As mentioned in Note 10 below, the Board has: (i) directed a detailed and expeditious inquiry into this matter and (ii) authorized the initiation of suitable action and proceedings as considered appropriate by the Managing Director and Chief Executive Officer (MD) for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry.

United Spirits Limited
Audited Financial Results for the year ended March 31, 2014

Notes Contd.:

Pending completion of the inquiry mentioned in these notes, the Company is unable to determine whether, on completion of the inquiry, there could be any impact on these financial statements; and these financial statements should be read and construed accordingly.

8. (i) Certain pre-existing loans / deposits / advances due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited (UBHL) which were in existence as on March 31, 2013, had been taken into consideration in the consolidated annual accounts of the Company drawn up as of that date. Pursuant to a previous resolution passed by the board of directors of the Company on 11 October 2012, such dues (together with interest) aggregating to Rs. 1337.40 Crores were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on 3 July 2013. Further, the amounts owed by UBHL to wholly-owned subsidiaries have been assigned by such subsidiaries to the Company and are recorded as loan from such subsidiaries in the books of the Company. The merger of one of such subsidiaries with the Company is currently under process. The interest rate under the above mentioned loan agreement dated 3 July 2013 is at 9.5% p.a. to be paid at six months intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of 8 years and is payable in three annual installments commencing from the end of 6th anniversary of the effective date of the loan agreement.

(ii) Certain lenders have filed petitions for winding up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited (KFA), a UB Group entity. Most of these guarantees have been invoked and are being challenged in Courts. The Company has also filed its affidavit opposing the aforesaid winding up petitions and the matter is sub-judice.

(iii) The Management has performed an assessment of the recoverability of the loan and has reviewed valuation reports in relation to UBHL prepared by reputed independent valuers that were commissioned by UBHL, and shared by UBHL with the Company. As a result of the abovementioned assessment and review by the Management, in accordance with the recommendation of the Management, the Company, as a matter of prudence, has not recognized interest income of Rs. 96.31 Crores and has provided Rs. 330.32 Crores towards the principal outstanding as at 31 March 2014. The Management believes that it should be able to recover, and no further provision is required for the balance amount of Rs. 995.68 Crores, though the Company will attempt to recover the entire amount of Rs. 1422.31 Crores. However, the Management will continue to assess the recoverability of the said loan on an ongoing basis.



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9. Subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that it had given loans amounting to Rs.200 Crores to KFA at an interest rate of 15% p.a. purportedly on the basis of agreements executed in December 2011 and January 2012. This matter came to the knowledge of the Board for the first time only after the Management informed the Board of the letter dated 5th May 2014. The letter alleges that amongst several obligations under these purported agreements, certain investments held by the Company were subject to a lien, and requires the Company, pending the repayment of the said loan, to pledge such investments in favour of the Alleged Claimant to secure the aforesaid loans. The Company has responded to this letter received from the lawyers of the Alleged Claimant vide its letter dated 3 June 2014, wherein the Company has disputed the claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. The Company has reiterated its stand vide a follow-up letter dated 28 July 2014 and has asked for copies of purported documents referred to in the letter dated 5th May 2014. Subsequent to the above, the Company has received a letter dated 31 July 2014 from the Alleged Claimant stating that in light of certain addendums to the aforesaid purported agreements (which had inadvertently not been informed to their lawyers) the Alleged Claimant has no claim or demand of any nature whatsoever against *inter alia* the Company, including any claim or demand arising out of or connected with the documents / agreements referred to their lawyer's letter dated 5 May 2014. The Company has replied to the Alleged Claimant vide a letter dated 6 August 2014, noting the above mentioned confirmation of there being no claim or demand against the Company, and asking the Alleged Claimant to immediately provide to the Company all the alleged documents referred to in the letter dated 5 May 2014 and the addendum referred to in the letter dated 31 July 2014, and to also confirm the identity and capacity of the signatory to the letter dated 31 July 2014.

Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant. These documents indicate that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised vide a second addendum in September 2012.

The Management has verified from a perusal of the minutes of meetings of the board of directors of the Company that the board of directors of the Company at the relevant time had not approved or ratified any such purported agreement. The Management has represented to the Board that till the receipt of scanned copies of the purported agreements in September 2014, the Company had no knowledge of these purported agreements. The Management, based on legal advice received, does not expect any liability or obligation to arise on the Company out of these purported agreements.

10. The Board has directed a detailed and expeditious inquiry in relation to the matters stated in Notes 7 to 9 above, the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions. The Board has directed the Managing Director ("MD") to engage independent advisers and specialists as required for the inquiry. The Board has also authorized the MD to take suitable action and proceedings as considered appropriate by him for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry. On the basis of the knowledge and information of the Management, the Management believes that no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned above in this note. However, pending completion of the detailed inquiry mentioned above, the Company is unable to determine the impact on the financial statements (if any), on completion of such detailed inquiry, and these financial results should be read and construed accordingly.

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11. The credit facilities sanctioned by one of the Company's bankers include a special covenant that needs to be complied by 30 September 2014. On the due date, if the condition remains unsatisfied, the credit facilities will be withdrawn. The fund-based and non fund-based working capital limits available from this bank are Rs. 325 Crores and Rs. 50 Crores respectively. There are ongoing discussions with the bank to address the issue. In any event, the Management believes that the Company is in a position to meet its funding requirement.
12. During the year ended 31 March 2014, the Company decided to prepay credit facilities availed in the earlier years from a bank amounting to Rs. 621.66 Crores, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 628.00 Crores including prepayment penalty of Rs. 4.0 Crores with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the installments and interest as per the loan agreement. The Company has disputed the same and a petition is pending before the Honourable High Court of Karnataka. Pending resolution of such dispute with the bank, the loan amount and balance available in cash credit account is presented on net basis in the financial statements as at 31 March 2014. The interest amounting to Rs. 27.60 Crores debited by the bank has been disclosed as Contingent Liability under the Miscellaneous claims not acknowledged as debts.
13. The Statutory Auditors have audited the accompanying Statement of Audited Financial Results ('the Statement') of United Spirits Limited ('the Company') for the year ended 31 March 2014, attached herewith, being submitted by the Company pursuant to the requirements of Clause 41 of the Listing Agreement issued by the Securities and Exchange Board of India ("Listing Agreement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the Management. The Statutory Auditor's report is being filed with the Bangalore Stock Exchange Limited (BgSE), National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).
14. The Statutory Auditors have qualified their opinion in relation to the matters specified in Note 7 to 10 as follows:
 - a. **Auditor's observations under Paragraph 5 of the Auditor's report to the financial results** ("the Statement") : *As stated in Note 7 to the Statement, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, alleged during the current year, that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. These dues of such parties are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units; agreements for specific projects; or dues owing to the Company from customers. These claims received in the current year may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the UB Group entities. However, this can only be confirmed after a detailed inquiry. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board of Directors; and Management's assessment of recoverability, an aggregate amount of Rs. 6,495.5 million has been provided in the Statement and has been disclosed as prior period items. Based on its current knowledge, the Management believes that the aforesaid provision is adequate and no additional material adjustments to the Statement are likely to be required in relation to this matter. As stated in paragraph 8 below, the Board of Directors have instructed the Management to undertake a detailed inquiry into this matter. Pending such inquiry, we are unable to comment on the nature of these transactions; the provision established; or any further impact on the Statement.*

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Directors' Response: Information and explanation on the qualification on paragraph 5 of the audit report is provided in Note 7 to the Statement. In particular, as stated in Note 7, the transactions referred to in the said Note are on account of amounts that were advanced by the Company in the earlier years and were duly confirmed by the relevant parties as payable to the Company in such earlier years, but were disputed by such parties for the first time when the Company sought balance confirmations from them for the year ended 31 March 2014. This was brought to the attention of the Board after 31 March 2014. Accordingly, as mentioned in Note 7, as a matter of prudence, the amounts mentioned in the Note 7 have now been provided for. Since the transactions referred to in the said Note 7 were entered in to prior to 31 March 2013, they have been reflected as prior period items in the financial statements.

Further, as mentioned in Note 10, the Board has: (i) directed a detailed and expeditious inquiry into this matter and (ii) authorized the initiation of suitable action and proceedings as considered appropriate by the Managing Director and Chief Executive Officer (MD) for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of that inquiry.

b. Auditor's observations under Paragraph 6 of the Auditor's report to the financial results : *As stated in Note 9 to the Statement, subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that the Alleged Claimant had advanced loans amounting to Rs 2,000 million to Kingfisher Airlines Limited (herein after referred to as "KFA"), a UB Group entity, in an earlier year on the basis of agreements, executed in December 2011 and January 2012, through which the Company was alleged to have created a lien on certain investments in favour of the Alleged Claimant as security for the aforesaid loans. The letter alleged that KFA had defaulted in repayment of the aforesaid loans as well as interest of Rs. 790 million due thereon and demanded that the Company should pay the aforesaid amounts and pending such repayments, create a valid pledge on the specified investments. The Company responded to the aforesaid letter vide its letters dated 3 June 2014 and 28 July 2014, wherein the Company denied knowledge of the purported loan transactions and the purported agreements for the creation of security on such investments held by the Company. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. In September 2014, scanned copies of the purported agreements and certain related documents were furnished to the Company. These documents indicate that while the agreements may have sought to create a lien on certain investments of the Company; subsequently, the Alleged Claimant and KFA sought to negotiate the release of the lien, which was formalised vide a second addendum in September 2012.*

The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements. We are unable to conclude on the validity of these agreements; any required compliance with the provisions of the Companies Act, 1956; and any consequential impact of the same.



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Directors' Response : Information and explanation on the qualification at paragraph 6 of the audit report is provided in Note 9 to the Statement. In particular, as stated in Note 9, the claim is based on documents purportedly executed by the Company in the months of December 2011 and January 2012. However, the claim was received by the Company only after the year ended 31 March 2014. This matter was only thereafter brought to the knowledge of the Board by the Management. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. Subsequently, in September 2014, the Company obtained scanned copies of the purported agreements (including the purported power of attorney) and various communications between KFA and the Alleged Claimant. These documents indicate that while the purported agreements may have sought to create a lien on certain investments of the Company, subsequently, the Alleged Claimant and KFA sought to negotiate the release of the purported obligation to create such lien, which was formalised vide a second addendum in September 2012.

The Management has verified from a perusal of the minutes of meetings of the board of directors of the Company that the board of directors at the relevant time had not approved or ratified any such documents. Accordingly, the Company has, in its responses to the Alleged Claimant, disputed the alleged claim and denied having created the alleged security or having executed any document in favour of the Alleged Claimant. Further, the Management, based on legal advice received, does not expect any liability or obligation to arise on the Company out of these allegations.

c. Auditor's observations under Paragraph 7 of the Auditor's report to the financial results : *As stated in Note 8 to the Statement, the Company and its subsidiaries had various pre-existing loans / advances / deposits due from United Breweries (Holdings) Limited (hereinafter referred to as "UBHL"). During the current year, pursuant to a previous resolution passed by the Board of Directors on 11 October 2012, these dues (together with interest) were consolidated into an unsecured loan aggregating Rs 13,374 million vide an agreement dated 3 July 2013. The loan has been granted for a period of 8 years with a moratorium period of 6 years. Certain lenders have filed petitions for winding-up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited, which have been invoked and are currently being challenged in courts. The Company has also filed its affidavit opposing the aforesaid winding-up petition and the matter is sub-judice. Based on its assessment of the recoverability of the loan, the Company has made a provision of Rs 3,303 million against the loan outstanding and has not recognised the interest income of Rs 963 million on the loan. Given the various uncertainties involved with respect to the litigations involving UBHL as aforesaid and the extended period for repayment of the loan, we are unable to comment on the level of provision established.*

Directors' Response : Information and explanation on the qualification at paragraph 7 of the audit report is provided in Note 8 to the Statement. In particular, as stated in Note 8, the Management has performed an assessment of the recoverability of the loan and has reviewed valuation reports in relation to UBHL prepared by reputed independent valuers that were commissioned by UBHL, and shared by UBHL with the Company. As a result of the abovementioned assessment and review by the Management, in accordance with the recommendation of the Management, the Company, as a matter of prudence, has not recognized interest income of Rs. 96.31 Crores and has provided Rs. 330.32 Crores towards the principal outstanding as at 31 March 2014. The Management believes that it should be able to recover, and no further provision is required for the balance amount of Rs. 995.68 Crores, though the Company will attempt to recover the entire amount of Rs. 1422.31 Crores. However, the Management will continue to assess the recoverability of the said loan on an ongoing basis.

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Further, the Board has directed the management to review the underlying loan agreement(s) and / or other relevant documents ("Loan Documents"), to *inter-alia* assess: (i) whether any event of default(s) under the Loan Documents has occurred on the part of UBHL; (ii) the legal rights and remedies which the Company has under the Loan Documents; (iii) whether the Company should invoke any of the remedies available to it under the Loan Documents (including recalling of the entire loan); and (iv) whether there is any scope of renegotiating the terms and conditions under the Loan Documents.

In this regard, the management should expeditiously take all the necessary steps to fully protect the interest of the Company and shareholders.

d. Auditor's observations under Paragraph 8 of the Auditor's report to the financial results : *As stated in Note 10 to the Statement, the Board of Directors have instructed the Management to undertake a detailed inquiry in relation to the matters stated in the paragraphs 5, 6, and 7 above; the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company. The Board has also instructed the Management to engage independent advisers and specialists, as required, for the inquiry. As the inquiry is yet to be carried out, we are unable to comment on any further adjustment that could be identified as a result of the inquiry; its resultant impact on the Statement; and any potential non-compliances with the provisions of the Companies Act, 1956 and other regulations.*

Directors' Response : Information and explanation on the qualification at paragraph 8 of the audit report is provided in Note 10 to the Statement. In particular, as stated in Note 10 above, in addition to commissioning the inquiry, the Board has also authorized the MD to take suitable action and proceedings as considered appropriate by him for recovering the Company's dues. Appropriate other action will also be taken commensurate with the outcome of the inquiry commissioned by the Board. On the basis of the current knowledge and information of the Management, the Management believes that no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned above in Note 7 to Note 9. However, pending completion of the detailed inquiry mentioned above, the Company is unable to determine whether, on completion of such detailed inquiry, there could be any impact on the financial statements.

e. Auditor's observations under Paragraph 9 of the Auditor's report to the financial results : *Though the observations in paragraph 5 above relate to claims received in the current year, the underlying transactions were entered into in earlier years. Accordingly, the financial statements of those earlier years and consequently the opening balances may be incorrectly stated to that extent. Further, the detailed inquiry as referred to in paragraph 8 above may result in further adjustments that may have an impact on the opening balances.*



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Directors' Response : Information and explanation on the qualification at paragraph 9 of the audit report is provided in Note 7 to the Statement. In particular, as stated in Note 7, while the claims referred to in Note 7 were received only when the Company sought balance confirmations from the relevant parties for the year ended 31 March 2014, the transactions referred to in the said Note were entered in to prior to 31st March 2013 and therefore, they have been reflected as prior period items in the financial statements. Further, as stated in Note 7(vi), the Management has stated to the Board that, on the basis of their current knowledge, no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned in the said Note. As mentioned in Note 10, the Board has commissioned the inquiry referred to in Note 10. Upon completion of the inquiry, the Board will consider impact on the financial statements, if any.

15 (a) Auditors observation under Paragraph (iii)(a) of Annexure to the Auditor's Report:

According to the information and explanations given to us, the Company has granted an unsecured loan to a company covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act') by way of conversion of certain pre-existing loans / advances / deposits due to the Company and its subsidiaries (refer paragraph 3 under 'basis for qualified opinion'). The year-end balance of the loan and the maximum amount outstanding during the year amounted to Rs. 13,374 million.

Further, as mentioned in paragraph 1 under 'basis for qualified opinion', certain parties alleged that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. Considering the matters disclosed in paragraphs 1 and 4 of 'basis for qualified opinion', we are unable to comment whether any such arrangements represent transactions with any company/ firm/ other party covered in the register maintained under Section 301 of the Act.

Directors' Response : Information and explanation on the qualification at paragraph (iii)(a) of Annexure to the Auditor's report is provided in Note 7 to the Statement. Further, the Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Companies Act, 1956 (the Act) have been so entered. As mentioned in Note 10 to the financial results, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action if any will be taken.

15(b). Auditor's observation under Paragraph (iii)(b) of Annexure to Auditor's Report :

In our opinion, the rate of interest and other terms and conditions on which the above unsecured loan has been granted to the company covered in the register maintained under Section 301 of the Act as stated in sub-clause (a) above, are prima facie, prejudicial to the interest of the Company




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Based on its assessment of recoverability, the Company has during the current year, made a provision of Rs 3,303 million against the loan and has not recognised any interest income (amounting to Rs 963 million on the said loan).

Further, as mentioned in paragraph 1 under 'basis for qualified opinion', a provision of Rs 6,495.4 million has been made with respect to amounts due from certain parties who alleged that they have advanced certain amounts to alleged UB Group entities.

Directors' Response : Management informed the Board that: (i) pursuant to a previous resolution passed by the board of directors of the Company on 11 October 2012, certain dues (together with interest) aggregating to Rs. 1337.4 Crores were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on 3 July 2013; (ii) the interest rate of 9.5% p.a. was in accordance with Section 372A of the Companies Act, 1956, read with the circular issued by the Reserve Bank of India publishing the bank rate in terms section 49 of the Reserve Bank of India Act, 1934.

The management and the nominee directors of the controlling shareholder have informed the Board that they will take all the necessary steps within their power and authority as management and directors of the Company to fully protect the interest of the shareholders in this regard.

Further, the Board has directed the management to review the underlying loan agreement(s) and / or other relevant documents ("Loan Documents"), to *inter-alia* assess: (i) whether any event of default(s) under the Loan Documents has occurred on the part of UBHL; (ii) the legal rights and remedies which the Company has under the Loan Documents; (iii) whether the Company should invoke any of the remedies available to it under the Loan Documents (including recalling of the entire loan); and (iv) whether there is any scope of renegotiating the terms and conditions under the Loan Documents.

In this regard, the management should expeditiously take all the necessary steps to fully protect the interest of the Company and shareholders.

15(c) Auditor's observation under Paragraph (iii)(c) of Annexure to Auditor's Report : According to the information and explanations given to us, in case of the unsecured loan granted to the company covered in the register maintained under Section 301 of the Act as stated in sub-clause (a) above, no amounts were repayable during the year as per the terms of the loan agreement.

Considering the matters disclosed in paragraphs 1 and 4 under 'basis for qualified opinion', we are unable to comment on the regularity in the receipt of the principal amount and interest relating to any other loan, secured or unsecured, that may have been granted to any company/firm/ other party covered in the register maintained under Section 301 of the Act, as a result of the transactions disclosed in paragraphs 1 and 4 under 'basis for qualified opinion'.

Directors' Response : The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Note 8 to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for Qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any, will be taken.

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15(d) Auditor's observations under Paragraph (iii)(d) of Annexure to Auditors Report:

According to the information and explanations given to us, in case of the unsecured loan granted to the company covered in the register maintained under Section 301 as stated in sub-clause (a) above, there is no overdue amount of more than Rupees one lakh in respect of the said loan.

Considering the matters disclosed in paragraphs 1 and 4 under 'basis for qualified opinion', we are unable to comment whether there is overdue amount of more than Rupees one lakh in respect of any other loan, secured or unsecured, that may have been granted to any company/firm/ other party covered in the register maintained under Section 301 of the Act, as a result of the transactions disclosed in paragraphs 1 and 4 under 'basis for qualified opinion'.

Directors' Response : The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Note 8 to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any, will be taken.

15(e) Auditor's Observation under Paragraph (iv) of Annexure to the Auditors Report: In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services during the year.

Except for the matter discussed below, we have not observed any major weaknesses in the internal control system during the course of the audit.

Considering the matters stated under 'basis for qualified opinion', we are unable to comment on the adequacy of the internal control system of the Company at certain points in time during the earlier years with respect to such instances as stated under 'basis for qualified opinion'.

Directors' Response : The matters stated under 'basis for qualified opinion' relate to the period prior to 1 April 2013. The Management believes that the Company has an internal control system commensurate with the size of the Company and the nature of its business. The Board has instructed the Management that, depending on the outcome of the inquiry, further strengthening of the internal control system should be carried out, as may be required.

15(f) Auditor's observation under Paragraph (v)(a) of Annexure to the Auditor's Report: In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements entered into during the year referred to in Section 301 of the Act have been entered in the register required to be maintained under that Section.



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However, considering the matters stated under 'basis for qualified opinion', particularly paragraphs 1 and 4 thereof, we are unable to comment whether the particulars of any such contracts or arrangements that may result from the transactions disclosed under 'basis for qualified opinion' and that need to be entered in the register maintained under Section 301 of the Act, have been so entered.

Directors' Response : The Management has certified to the Board that, on the basis of the Management's current information, particulars of contracts or arrangements that are required to be entered in the register maintained under section 301 of the Act have been so entered. As mentioned in Notes 7 to 9 to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 and 4 of 'Basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action, if any will be taken.

15(g) Auditor's observation under Paragraph (vii) of Annexure to the Auditor's Report: In our opinion, the Company has an internal audit system commensurate with the size and nature of its business during the year, *except in relation to matters stated under 'basis for qualified opinion', where the internal audit system needs to be strengthened.*

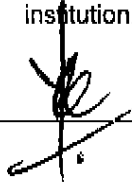
Directors' Response: The matters stated under 'basis for qualified opinion' relate to the period prior to 1 April 2013. The Management believes that the Company has an internal audit system commensurate with the size of the Company and the nature of its business. The Board has instructed the Management that, depending on the outcome of the inquiry, further strengthening of the internal audit system should be carried out, as may be required.

15(h) Auditor's observation under Paragraph (x) of Annexure to Auditor's Report: *The accumulated losses of the Company at the end of the year are not less than fifty percent of its net worth. The Company has incurred cash losses in the financial year. However, no cash losses were incurred in the immediately preceding financial year.*

Directors' Response: The Board notes that the accumulated losses of the Company at the end of the year is 52% of its peak net worth in the previous four financial years. Therefore, the Company will be required to file a report under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The Board believes this report under Section 23 would arise as a technical requirement under SICA and does not reflect upon the long term prospects of the Company given the profitable nature of its business and as the accumulated losses are principally on account of exceptional items during the year.

15(i) Auditor's Observation under Paragraph (xi) of Annexure to Auditor's Report: In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to a bank or to any financial institution *except that in case of loans due to banks, principal amounting to Rs 410 million and interest amounting to Rs 474 million were repaid with a delay of up to 67 days and 37 days, respectively.* The Company did not have any outstanding debentures during the year.

Directors' Response : The Management has informed the Board that as of 31 March 2014, there were no outstanding defaults by the Company of any dues to a bank or any financial institution.




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15(j) Auditor's Observation under Paragraph (xvi) of Annexure to Auditor's Report: In our opinion and according to the information and explanations given to us, the term loans taken by the Company and applied during the year were for the purpose for which they were raised.

However, considering the matters stated under 'basis for qualified opinion', particularly paragraphs 1, 3 and 4, we are unable to comment whether any transactions relating to such matters represent application of term loans for the purpose for which they were raised.

Directors' Response : The Management has certified to the Board that, on the basis of the Management's current information, the Company has applied term loans taken by the Company during the year for the purpose for which they were raised. However, as mentioned in Note 10 to the Statement, the Board has ordered a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1, 3 and 4 of 'basis for qualified opinion' in the auditor's report. On completion of such inquiry, appropriate action will be taken, as may be required.

15(k) Auditor's Observation under Paragraph (xxi) of Annexure to Auditor's Report: As mentioned in detail in paragraphs 1 and 2 under 'basis for qualified opinion', wherein it is stated that:

(i) certain parties alleged that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts aggregating to Rs 5,846.9 million due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Further, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities; and

(ii) an alleged instance of a purported agreement to create a lien on certain investments of the Company as security against loans given by an Alleged Claimant to Kingfisher Airlines Limited (KFA) in earlier years was noted. However, in a letter dated 31 July 2014 from the Alleged Claimant, it was stated that the allegation made earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum and the agreement, the Alleged Claimant does not have any claim or demand of any nature against the Company. Subsequently, in September 2014, scanned copies of the purported agreements were furnished to the Management by KFA. The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements.

Pending the completion of the inquiry as mentioned in paragraph 4 under 'basis for qualified opinion', we are unable to conclude whether these instances can be termed as 'fraud' and whether there are other instances of a similar nature.

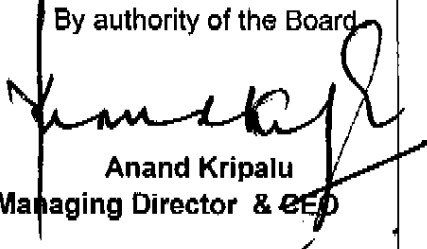
Directors' Response : See responses at paragraphs 7 to 9 above. As mentioned in the notes to the Statement, the Board has directed a detailed and expeditious inquiry in relation to the matters disclosed in paragraphs 1 to 5 of "basis for qualified opinion" in the Auditors' Report. Pending the completion of such inquiry, the Board is unable to conclude whether there have been any instances of fraud against the Company. Based on the findings of such inquiry, appropriate action, including action for recovery of the Company's assets or amounts owing to the Company, will be taken.

United Spirits Limited
Audited Financial Results for the year ended March 31, 2014

Notes:

16. In view of the Loss, the Board has not recommended any dividend on the equity shares of the Company for the year ended March 31, 2014.
17. Previous year's figures have been regrouped / reclassified as per the current year's presentation for the purpose of comparability.
18. The figures for the last quarter ended March 31, 2014 and March 31, 2013 are the balancing figures between the audited figures in respect of the full financial year and the year to date figures for the period ended December 31, 2013 and December 31, 2012 respectively. The figures for the quarter and year ended March 31, 2013 were audited by another auditor.
19. Subsequent to the balance sheet date, a bank has declared one of the directors of the Company as a willful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Willful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial statements have been prepared on a going concern basis.
20. The above audited results were taken on record at the meeting of the Board of Directors held on September 3, 2014 which continued in to September 4, 2014.
21. The statutory auditors have issued a qualified opinion on the financial statements of the Company for the financial year ended 31 March 2014. Such qualifications relate to transactions of earlier years, which have come to the knowledge of this Board only recently. The Board has initiated a detailed and independent inquiry as referred to in Note no 10. All further actions, including adjustments to the financial statements (including matters arising out of earlier years), if required, will be made in light of the result of the inquiry. However, based on the current knowledge and information of the management, it believes that no additional material adjustments to the financial statements are likely to be required in relation to the matters mentioned above. Subject to the foregoing, the Board has approved the annual financial statements, before the completion of the inquiry in the interest of the public shareholders.

By authority of the Board


Anand Kripalu
Managing Director & CEO

Mumbai
September 4, 2014



UNITED SPIRITS LIMITED

'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

Statement of Assets & Liabilities

Rs. Lakhs

	Standalone		Consolidated	
	As at March 31,		As at March 31,	
	2014	2013	2014	2013
A. EQUITY AND LIABILITIES				
1. Shareholders' Funds				
a) Share Capital	14,533	13,080	14,533	12,587
b) Reserves and Surplus	366,916	626,117	288,694	466,143
Minority Interest	-	-	75	1,106
2. Non-current Liabilities				
a) Long term borrowings	135,894	99,636	99,668	467,552
b) Other Long-term liabilities	6,437	6,207	18,682	22,868
c) Long term provisions	5,638	3,763	21,518	20,351
3. Current Liabilities				
a) Short-term borrowings	329,857	235,724	703,913	241,098
b) Trade Payables	118,750	132,905	184,461	188,862
c) Other Current Liabilities	94,626	180,395	114,325	209,959
d) Short-term provisions	10,388	17,150	39,892	17,773
	1,083,039	1,314,977	1,485,761	1,648,299
B. ASSETS				
1. Non-current Assets				
a) Fixed Assets	123,788	119,166	290,812	279,574
b) Goodwill on Consolidation			290,192	520,455
c) Non Current Investments	80,897	148,077	11,320	9,236
d) Deferred Tax Assets (net)	5,456	3,258	9,669	5,893
e) Long term Loans and advances	369,820	629,794	185,095	203,007
f) Other Non Current Assets	13	13	13	17,737
2. Current Assets				
a) Current Investments	12,066	12,143	12,481	12,555
b) Inventories	153,540	132,146	293,512	251,120
c) Trade Receivables	171,358	176,869	226,525	241,705
d) Cash and Bank balance	49,729	18,349	70,473	28,162
e) Short term Loans and Advances	116,364	75,149	94,267	74,447
f) Other Current Assets	8	13	1,402	4,408
	1,083,039	1,314,977	1,485,761	1,648,299

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Chartered Accountants

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The Board of Directors United Spirits Limited

1. We have audited the accompanying Statement of Standalone Financial Results ('the Statement') of United Spirits Limited ('the Company') for the year ended 31 March 2014, attached herewith, being submitted by the Company pursuant to the requirements of Clause 41 of the Listing Agreement issued by the Securities and Exchange Board of India ("Listing Agreement"), except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the Management and have not been audited by us. Attention is drawn to the fact that the figures for the quarter ended 31 March 2014 and the corresponding quarter ended in the previous year as reported in the Statement are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the relevant financial year. Also, the figures upto the end of the third quarter had only been reviewed and not subjected to audit.
2. The Statement has been prepared on the basis of the annual financial statements of the current year and reviewed quarterly financial results upto the end of the third quarter. Our responsibility is to express an opinion on the Statement based on our audit of the financial statements of the current year which have been prepared in accordance with the recognition and measurement principles laid down in the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956, read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India and in compliance with Clause 41 of the Listing Agreement.
3. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement(s). An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the Statement. An audit includes assessing the accounting principles used and significant estimates made by Management. We believe that our audit provides a reasonable basis for our opinion.
4. The financial results of the Company for all periods prior to the quarter ended 30 September 2013 included in the Statement were reviewed or audited, as applicable, by the then statutory auditors of the Company, whose reports have been furnished to us and which have been relied upon by us for the purpose of our opinion on the Statement.



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5. *As stated in Note 7 to the Statement, certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, alleged during the current year, that they have advanced certain amounts to certain alleged UB Group entities and linked the confirmation of amounts due to the Company to repayment of such amounts to such parties by the alleged UB Group entities. Also, some of these parties stated that the dues to the Company will be paid / refunded only upon receipt of their dues from such alleged UB Group entities. These dues of such parties are on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units; agreements for specific projects; or dues owing to the Company from customers. These claims received in the current year may indicate that all or some of such amounts may have been improperly advanced from the Company to such parties for, in turn, being advanced to the UB Group entities. However, this can only be confirmed after a detailed inquiry. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board of Directors; and Management's assessment of recoverability, an aggregate amount of Rs. 6,495.5 million has been provided in the Statement and has been disclosed as prior period items. Based on its current knowledge, the Management believes that the aforesaid provision is adequate and no additional material adjustments to the Statement are likely to be required in relation to this matter. As stated in paragraph 8 below, the Board of Directors have instructed the Management to undertake a detailed inquiry into this matter. Pending such inquiry, we are unable to comment on the nature of these transactions; the provision established; or any further impact on the Statement.*
6. *As stated in Note 9 to the Statement, subsequent to the balance sheet date, the Company received a letter dated 5 May 2014 from the lawyers of an entity (Alleged Claimant) alleging that the Alleged Claimant had advanced loans amounting to Rs 2,000 million to Kingfisher Airlines Limited (herein after referred to as "KFA"), a UB Group entity, in an earlier year on the basis of agreements, executed in December 2011 and January 2012, through which the Company was alleged to have created a lien on certain investments in favour of the Alleged Claimant as security for the aforesaid loans. The letter alleged that KFA had defaulted in repayment of the aforesaid loans as well as interest of Rs. 790 million due thereon and demanded that the Company should pay the aforesaid amounts and pending such repayments, create a valid pledge on the specified investments. The Company responded to the aforesaid letter vide its letters dated 3 June 2014 and 28 July 2014, wherein the Company denied knowledge of the purported loan transactions and the purported agreements for the creation of security on such investments held by the Company. A letter dated 31 July 2014 was received from the Alleged Claimant wherein they have stated that the notice sent earlier did not take into account an addendum to the loan agreement; and after examining the aforesaid addendum, they have no claim or demand of any nature against the Company. In September 2014, scanned copies of the purported agreements and certain related documents were obtained by the Company. These documents indicate that while the agreements may have sought to create a lien on certain investments of the Company; subsequently, the Alleged Claimant and KFA sought to negotiate the release of the lien, which was formalised vide a second addendum in September 2012.*

The Management has represented to us that the Company had no knowledge of these purported agreements; that the Board of Directors of the Company have not approved any such purported agreements; and it is not liable under any such purported agreements. We are unable to conclude on the validity of these agreements; any required compliance with the provisions of the Companies Act, 1956; and any consequential impact of the same.



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7. *As stated in Note 8 to the Statement, the Company and its subsidiaries had various pre-existing loans / advances / deposits due from United Breweries (Holdings) Limited (hereinafter referred to as "UBHL"). During the current year, pursuant to a previous resolution passed by the Board of Directors on 11 October 2012, these dues (together with interest) were consolidated into an unsecured loan aggregating Rs 13,374 million vide an agreement dated 3 July 2013. The loan has been granted for a period of 8 years with a moratorium period of 6 years. Certain lenders have filed petitions for winding-up against UBHL. UBHL has provided guarantees to lenders and other vendors of Kingfisher Airlines Limited, which have been invoked and are currently being challenged in courts. The Company has also filed its affidavit opposing the aforesaid winding-up petition and the matter is sub-judice. Based on its assessment of the recoverability of the loan, the Company has made a provision of Rs 3,303 million against the loan outstanding and has not recognised the interest income of Rs 963 million on the loan. Given the various uncertainties involved with respect to the litigations involving UBHL as aforesaid and the extended period for repayment of the loan, we are unable to comment on the level of provision established.*
8. *As stated in Note 10 to the Statement, the Board of Directors have instructed the Management to undertake a detailed inquiry in relation to the matters stated in the paragraphs 5, 6, and 7 above; the possible existence of any other transaction of a similar nature; the role of individuals involved; and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company. The Board has also instructed the Management to engage independent advisers and specialists, as required, for the inquiry. As the inquiry is yet to be carried out, we are unable to comment on any further adjustment that could be identified as a result of the inquiry; its resultant impact on the Statement; and any potential non-compliances with the provisions of the Companies Act, 1956 and other regulations.*
9. *Though the observations in paragraph 5 above relate to claims received in the current year, the underlying transactions were entered into in earlier years. Accordingly, the financial statements of those earlier years and consequently the opening balances may be incorrectly stated to that extent. Further, the detailed inquiry as referred to in paragraph 8 above may result in further adjustments that may have an impact on the opening balances.*
10. Without qualifying our opinion, we draw attention to:
- (a) Note 19 to the Statements, which states that subsequent to the balance sheet date, a bank has declared one of the directors of the Company as a willful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Willful Defaulters along with certain covenants in the loan agreements sanctioned by the Company's bankers raise an uncertainty on the impact of this development on the availability of credit facilities to the Company. The said director has assured the Board that he will take appropriate steps to ensure that the operations of the Company are not impacted. Having received such assurance from the said director and appropriate comfort from the controlling shareholder of the Company, the financial statements have been prepared on a going concern basis.



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- (b) Note 3 to the Statement, wherein it is stated that during the year, on 8 November 2013, the Board of Directors approved the scheme of arrangement between United Spirits Limited and Enrica Enterprises Private Limited ('Enrica') and its shareholders and creditors as the case may be ('the Scheme') in respect of transfer of undertaking of the Company in Tamil Nadu by way of slump sale on a going concern basis under Section 391 read with Section 394 of the Companies Act, 1956, with appointed date 1 April 2013. The Scheme has been approved by the equity shareholders, secured creditors and unsecured creditors at the court convened meeting held on 16 June 2014. The relevant petitions have been filed before the respective jurisdictional High Courts by the Company and Enrica and awaiting for their approval. The Company has also entered into a franchise agreement with Enrica which prescribes a royalty payment to the Company for grant of manufacturing, marketing, distribution and sale rights to Enrica in defined territories. From the appointed date upto the effective date, the royalty payable shall be a fixed amount per case or the Franchisee's Profit (before tax and royalty) in respect of the franchised products, whichever is lower. Subsequent to the effective date, royalty at net sales realization linked slab rate will accrue to the Company as per the franchise agreement. Pending approval of the scheme, no effect has been given in the Statement;
- (c) Note 4 (i) to the Statement, wherein it is stated that Tern Distilleries Private Limited, a wholly-owned subsidiary of the Company ('TERN') will be amalgamated with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date 1 April 2013 ('TERN Scheme'). The entire operations of TERN comprise transactions with the Company. The net impact on the stand-alone financial performance of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company have approved the TERN Scheme at their Extraordinary General Meeting held on 18 March 2014 and the approval by the Board for Industrial and Financial Reconstruction is awaited. Pending approval of the TERN Scheme, no effect has been given in the Statement;
- (d) Note 4 (ii) to the Statement, wherein it is stated that SW Finance Company Limited, a wholly-owned subsidiary of the Company will be amalgamated with the Company with the appointed date 1 January 2014 ('SWFCL Scheme') pursuant to the applicable provisions of the Companies Act, 1956 and subject to the sanction of the Honourable jurisdictional High Courts/any such competent authority. The accounting for the above amalgamation shall be done upon receiving the necessary sanctions / approval from various regulatory authorities including the Registrar of Companies. Upon the SWFCL Scheme becoming effective, SWFCL will stand merged with the Company. Pending approval of the SWFCL Scheme, no effect has been given in the Statement;



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- (e) Note 5 to the Statement, wherein it is stated that the Board of Directors decided to initiate a process based on the outline time-table provided in connection with the decision of the Office of Fair Trade to explore a potential sale of all or part of Whyte and Mackay Group (WMG). As a culmination of this process, subsequent to the year-end, on 9 May 2014 for an Enterprise Value of GBP 430 million, the Company's whollyowned subsidiary, United Spirits (Great Britain) Limited (USGBL or the Seller) entered into a Share Sale and Purchase agreement (SPA) with Emperador UK Limited and Emperador Inc. in relation to the sale of the entire issued share capital of Whyte and Mackay Group Limited. USGBL appointed third party financial advisers in respect of the sale process. The financial closure of the proposed transaction as contemplated by the terms of the SPA (as may be amended and modified from time to time), is subject to satisfaction of certain conditions precedent. The equity shareholders of the Company have approved the proposed sale of WMG by the Seller. The Company has filed an application with Reserve Bank India (through authorized dealer of the Company) for its approval. Based on the Management's assessments of the recoverability of the investments and loans given for the Whyte and Mackay Group, a provision amounting to Rs 43,216 million has been made in the books including diminution in the value of investment in subsidiaries viz Palmer Investment Group Limited and Montrose International S.A.; the same has been disclosed as an exceptional item; and
- (f) Note 12 to the Statement, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs. 6,216.6 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs. 6,280 million including prepayment penalty of Rs. 40 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment and continues to debit the account towards the instalments and interest as per the loan agreement. The Company has disputed the same and a case is pending before the Honourable High Court of Karnataka. Pending settlement with the bank, the loan amount and balance available in cash credit account is presented on net basis in the financial results as at 31 March 2014.

11. *In our opinion and to the best of our information and according to the explanations given to us, except for matters stated in paragraphs 5, 6, 7, 8 and 9 above, the Statement:*

- (i) *is presented in accordance with the requirements of Clause 41 of the Listing Agreement in this regard; and*
- (ii) *gives a true and fair view of the net loss and other financial information of the Company for the year ended 31 March 2014.*



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12. Further, we also report that we have, on the basis of the books of account and other records and information and explanations given to us by the Management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of Clause 35 of the Listing Agreement and found the same to be correct.

for B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022



Sunil Gaggar
Partner

Membership number: 104315

Place: Mumbai

Date: 4 September 2014