

United Spirits Limited
Registered Office:
UB Tower
#24 Vittal Mallya Road
Bangalore 560 001

Tel +91 80 3985 6500
www.unitedspirits.in

May 27, 2015

1. National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra (East)
Mumbai - 400 051.
Scrip Code: MCDOWELL-N

2. BSE Limited
(Regular Office & Corporate Relations Dept)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001.
Scrip Code: 532432

Dear Sirs,

Sub: Outcome of the Board Meeting held on May 26, 2015.

The Audited Financial Statements of the Company for the year ended March 31, 2015 were considered and approved at the Meeting of the Board of Directors held on May 26, 2015 which continued past midnight and finally approved on the early hours of May 27, 2015. 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 2014 - 15. The Audited Financial Results including Statement of Assets and Liabilities as at March 31, 2015 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, 2015, in terms of Clause 20 of the Listing Agreement:



	Current Financial year ended 31.03.2015	Previous Financial Year ended 31.03.2014
	Rs. in crores	Rs. in crores
1. Turnover	20,007.98	20,231.29
2. Gross Profit	(56.47)	(706.56)
3. Exceptional and other non-recurring items	1,871.67	4,321.62
4. <u>Net Loss:</u>	(1,956.47)	(5,102.82)
After providing for:		
- Depreciation	109.74	85.50
- Taxation (including deferred tax)	28.34	74.64
5. <u>Add:</u>		
- Surplus/(Loss) transferred from previous year	(3,083.51)	2,023.38
6. <u>Transfer to Reserves:</u>		
- Less: General Reserve	-	-
7. Dividend paid in respect to previous years	-	3.63
8. Profit transfer to Enrica Enterprises Pvt. Ltd (Enrica) pursuant to demerger of Chennai Unit	(8.26)	-
9. Royalty Income from Enrica of FY2013-14	10.74	
10. Transitional Depreciation	(7.95)	
11. Profit/(loss) for the year	(19,56.47)	
12. Balance carried to Balance Sheet	(5,045.45)	(3,083.51)

Please take the above on your records and acknowledge receipt.

Thanking you,

Yours faithfully,

For UNITED SPIRITS LIMITED



V. RAMACHANDRAN
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 quarter and year ended March 31, 2015

(Rs. In Lakhs)

	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,	
	2015	2014	2014	2015	2014	2014
	Audited (Refer Note 19)	Unaudited (Note 3)	Audited (Refer Note 19)	Audited		
1 Income from operations	503,473	556,015	519,117	2,050,254	2,073,488	2,223,038
Less: Excise duty	301,436	341,312	327,422	1,255,089	1,230,853	1,307,099
						2,360,986
(a) Net sales / income from operations	202,037	214,703	191,695	795,165	842,635	915,939
(b) Other operating income	3,088	3,019	2,639	9,769	9,025	17,560
						1,050,092
Total income from operations (net)	205,125	217,722	194,334	804,934	851,660	933,499
						1,061,541
2 Expenses:						
a) Cost of materials consumed	77,758	104,833	77,101	357,823	447,750	433,386
b) Purchase of stock-in-trade	25,517	30,320	39,097	121,103	79,265	123,552
c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	5,046	(4,670)	(4,240)	(2,050)	(23,097)	(35,037)
d) Employee benefits expense*	21,225	13,774	14,607	61,850	56,444	77,785
e) Depreciation and amortisation expense	3,699	2,395	3,097	10,974	8,550	22,287
f) Other expenses:						
i) Advertisement and sales promotion	19,674	20,625	19,803	78,680	85,432	105,633
ii) Provision for doubtful debts / advances / deposits	10,343	-	101,275	11,340	101,275	16,282
iii) Others	43,054	29,537	36,303	125,138	120,286	151,450
						167,987
Total expenses	206,316	196,814	287,043	764,858	875,905	895,338
						1,095,557
3 Profit / (loss) from operations before other income, finance costs and exceptional items (1-2)	(1,191)	20,908	(92,709)	40,076	(24,245)	38,161
						(34,016)
4 a) Other income	6,565	2,931	(1,970)	15,998	13,174	8,108
b) Exchange difference - gain / (loss)	878	(867)	(785)	(2,425)	1,716	(57,148)
						12,214
5 Profit / (loss) from ordinary activities before finance costs and exceptional items (3+4)	6,252	23,172	(95,464)	53,649	(9,356)	(10,879)
						34,576
6 Finance costs	13,415	14,847	16,664	59,296	61,300	68,734
						132,257
7 Profit / (loss) from ordinary activities after finance costs but before exceptional items (5-6)	(7,163)	8,325	(112,128)	(5,647)	(70,655)	(79,613)
						(97,681)
8 Exceptional items (Net) (Refer Note 4)	(175,497)	-	(432,163)	(187,167)	(432,163)	(83,916)
						(323,573)
9 Profit / (loss) from ordinary activities before tax (7 + 8)	(182,660)	8,325	(544,291)	(192,814)	(502,818)	(163,529)
						(421,254)
10 Tax expense:	(2,732)	852	(6,281)	2,834	7,464	5,204
						27,623
11 Net profit / (loss) from ordinary activities after tax (9-10)	(179,928)	7,473	(538,010)	(195,648)	(510,282)	(168,733)
From continuing operations						(192,947)
From discontinuing operations (Refer Note 6)						24,214
						(144,100)
12 Extraordinary Items (Net of tax expense)	-	-	-	-	-	-
						(304,777)
13 Net profit / (loss) for the period (11-12)	(179,928)	7,473	(538,010)	(195,648)	(510,282)	(168,733)
						(448,877)
14 Share of profit / (loss) of associate	-	-	-	-	-	-
15 Minority Interest in profit / (loss)	-	-	-	-	-	-
16 Net profit / (loss) after taxes, minority Interest and share of profit / (loss) of associates (13+14+15)	(179,928)	7,473	(538,010)	(195,648)	(510,282)	(168,771)
						(448,908)
17 Paid-up equity share capital (Face value Rs. 10)	14,533	14,533	14,533	14,533	14,533	14,533
18 Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year	-	-	-	179,675	366,916	51,419
						288,694
19 Earnings per share of Rs. 10 each (not annualised):						
a) Basic and diluted relating to continuing operations	(123.81)	5.14	(370.20)	(134.62)	(356.60)	(132.76)
b) Basic and diluted relating to discontinuing operations						16.66
c) Basic and diluted relating to total operations	(123.81)	5.14	(370.20)	(134.62)	(356.60)	(116.11)
						(101.73)
						(215.13)
						(316.86)

Part II: Select Information for the quarter and year ended March 31, 2015

A. Particulars of shareholding						
1 Public shareholding						
- Number of shares	59,766,064	59,766,064	89,204,725	59,766,064	89,204,725	
- Percentage of shareholding	41.13%	41.13%	61.38%	41.13%	61.38%	
2 Promoters and promoter group shareholding:						
a) Pledged / encumbered						
- Number of shares	3,213,820	3,213,820	13,613,197	3,213,820	13,613,197	
- Percentage of shares	3.76%	3.76%	24.26%	3.76%	24.26%	
(as a % of the total shareholding of promoter and promoter group)						
- Percentage of shares	2.21%	2.21%	9.37%	2.21%	9.37%	
(as a % of the total share capital of the Company)						
b) Non-encumbered						
- Number of shares	82,347,859	82,347,859	42,509,821	82,347,859	42,509,821	
- Percentage of shares	96.24%	96.24%	75.74%	96.24%	75.74%	
(as a % of the total shareholding of promoter and promoter group)						
- Percentage of shares	56.66%	56.66%	29.25%	56.66%	29.25%	
(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	3
Disposed of during the quarter	3
Remaining unresolved at the end of the quarter	Nil

* Includes provision for Rs 34 Crores towards employee incentive scheme communicated during the current quarter.

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,	
	2015	2014	2015	2014
A.EQUITY AND LIABILITIES				
1. Shareholders' funds				
a) Share capital	14,533	14,533	14,533	14,533
b) Reserves and surplus	179,675	366,916	51,419	288,694
Minority interest			81	75
2. Non-current liabilities				
a) Long-term borrowings	150,951	135,894	111,732	99,668
b) Other Long-term liabilities	4,392	6,437	12,199	18,682
c) Long-term provisions	6,611	5,638	6,611	21,518
3. Current liabilities				
a) Short-term borrowings	362,132	329,857	365,360	703,913
b) Trade payables	71,801	117,309	79,975	183,020
c) Other current liabilities	86,862	91,882	93,527	111,581
d) Short-term provisions	24,837	14,572	53,424	44,077
	901,794	1,083,038	788,861	1,485,761
B. ASSETS				
1. Non-current assets				
a) Fixed assets	113,396	123,787	197,310	290,812
b) Goodwill on consolidation			6,203	290,192
c) Non current investments	43,036	80,897	9,148	11,320
d) Deferred tax assets (net)	8,731	5,456	8,779	9,669
e) Long term loans and advances	270,604	369,820	81,084	185,095
f) Other non current assets	13	13	13	13
2. Current assets				
a) Current investments	12,071	12,066	12,488	12,481
b) Inventories	155,424	153,540	175,811	293,512
c) Trade receivables	174,548	171,358	175,150	226,525
d) Cash and bank balance	23,969	49,729	36,288	70,473
e) Short term loans and advances	91,282	116,364	77,866	94,267
f) Other current assets	8,720	8	8,721	1,402
	901,794	1,083,038	788,861	1,485,761

United Spirits Limited
Audited Financial Results for the year ended March 31, 2015

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. On July 2, 2014, Relay B.V. has 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 is the holding company of the Company.
3. During the year, the scheme of arrangement between the Company and Enrica Enterprises Private Limited ("Enrica") and its shareholders and creditors as the case may be 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 (the "Scheme") with an Appointed Date of April 1, 2013 has been sanctioned by the Honourable High Courts of Karnataka and Madras under their orders dated February 19, 2015 and July 31, 2014 respectively.

Upon necessary filing with the respective Registrar of Companies, the Scheme has become effective from March 30, 2015 (the "Effective Date") and the effect of the Scheme has been given in these financial results of the Company. Consequently:

- a) the entire business and undertaking of the 'Transferred Undertaking' of the Company, including all assets and liabilities, as a going concern, stands transferred into Enrica with effect from April 1, 2013 being the Appointed Date. The book value of net assets of the Transferred Undertaking as at April 1, 2013 amounts to Rs.89.38 Crores;
- b) in consideration thereof, the Company has received a lump sum amount of Rs.125.07 Crores from Enrica; and
- c) the Company has recorded a net profit of Rs.35.65 Crores pursuant to sale of the Transferred Undertaking during the year. The profit has been credited to the statement of profit and loss and has been disclosed separately under the head 'Exceptional Items'.

The Company has also entered into a Franchise Agreement with Enrica under which the Company is entitled to royalty payments in consideration 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 was 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.

Profits of the Transferred Undertaking recognised for the year ended March 31, 2014 have been adjusted against the 'Profit and loss account' balance in the Balance sheet under the head "Reserves and Surplus". Further, revenue and expenses of the Transferred Undertaking for the Financial Year 2014-15 and its assets and liabilities as at March 31, 2015, have not been considered in the financial results.

All costs and expenses incidental to the finalization and implementation of the Scheme, including stamp duty charges, meeting expenses, professional fees, consulting fees and any

other expenses attributable to the implementation of the Scheme are debited to respective head of 'Expenditure'.

For the purpose of disclosures in these financial results, the figures for the quarter ended December 31, 2014 and the financial year ended March 31, 2015, have been adjusted to give effect to the said Scheme.

4. Exceptional items for the year ended March 31, 2015 include: (a) provision for loans and advances to, and investments in the subsidiaries, as detailed in Note 14 aggregating Rs.716.16 Crores, (b) provision for loans and investments in relation to Whyte and Mackay Group as detailed in Note 6 aggregating Rs.184.85 Crores, (c) loss on sale of shares of a subsidiary as detailed in Note 9 aggregating Rs.10.85 Crores, (d) provision for a loan to a related party as detailed in Note 10 (b) aggregating Rs.995.46 Crores; and (e) profit on sale of manufacturing unit as detailed in Note 3 aggregating Rs.35.65 Crores.
5. The Board of Directors at their meeting held on January 8, 2014, approved the amalgamation of:
 - a) Tern Distilleries Private Limited, a wholly owned subsidiary of the Company ("TERN") pursuant to a Draft Rehabilitation Scheme and applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date as 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 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 accompanying statement of financial results.
 - b) SW Finance Company Limited, a wholly owned subsidiary of the Company ("SWFCL") with the Company with the appointed date of January 1, 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 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 accompanying financial results. 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.
6. Further to Diageo plc's undertakings offered to UK's Office of Fair Trade ("OFT") (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, on May 9, 2014 the Company's then wholly owned subsidiary, United Spirits (Great Britain) Limited ("seller" or "USGBL") entered into a Share Sale and Purchase agreement 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 GBP 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 GBP 0.85 Million agreed between the seller and the purchaser. An opinion from a leading merchant banker, addressed to the Board, confirms that the enterprise value is fair from a financial point of view of the Company.

On October 31, 2014, the sale of the entire issued share capital of WMG by USGBL to Emperador UK Limited was completed. With the above sale, WMG and its 45 subsidiaries have ceased to be subsidiaries of the Company. Part of the proceeds from the sale was used to repay Whyte and Mackay acquisition debt amounting to GBP 370 million. Post adjustment of Pension Deficit, repayment of debt and movements in Net Working Capital, the Company will



get the balance funds. A Retention Deposit of GBP 10 million is retained for any claims for a period of 7 months post completion. The sale has resulted in true up of provision towards the recoverability of the investments and loans given for WMG, including Palmer and Montrose amounting to Rs.4,506.48 Crores. Consequently, additional provision of Rs.184.85 Crores has been recorded for the year ended March 31, 2015 as an exceptional item. The Company has received a letter dated October 16, 2014 from the authorised dealer advising the Company to complete the disinvestment of WMG and subsequent liquidation of the intermediary wholly owned subsidiary companies. The provisional write off approval is subject to submission of the required documents within a period of 30 days from the date of liquidation of the aforesaid wholly owned subsidiaries. The Company will comply with the requisite conditions specified by the authorised dealer in accordance with applicable law.

WMG represented significant geographical area of operation accounting for nearly 16% of the group income and qualifies as discontinuing operations under AS 24 Discontinuing Operations. Accordingly the net profit after tax amounting to Rs.0.616 Crores of the Discontinuing Operations for the period ended October 31, 2014 has been disclosed separately in the Consolidated Financial Results of the Company.

7. At an extraordinary general meeting of the shareholders of the Company on November 28, 2014, the shareholders approved the reporting of erosion of more than fifty per cent of the Company's peak net worth in the immediately preceding four financial years as required under Section 23(1)(a)(ii) read with Section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 ("SICA"). The Company has reported the fact of such erosion to the BIFR as required under Section 23(1)(a)(i) of SICA.
8. Consequent to the enactment of the Companies Act, 2013 (the "Act") and its applicability to accounting periods commencing from April 1, 2014, the Company has realigned the remaining useful lives of its tangible fixed assets in accordance with the provisions prescribed under Schedule II to the Act. Consequently, in case of tangible fixed assets which have completed their useful lives, the carrying value (net of residual value) as at April 1, 2014 amounting to Rs.7.95 Crores (net of tax of Rs.4.21 Crores) has been debited to "Surplus in the Statement of Profit and Loss" and in case of other tangible fixed assets, the carrying value (net of residual value) is being depreciated over the revised remaining useful lives. Accordingly, the depreciation and amortization expense for the quarter and year ended March 31, 2015 is higher by Rs.3.34 Crores and Rs.23.77 Crores respectively.
9. In order to comply with the requirements of the Securities and Exchange Board of India ("SEBI") regulations, on September 29, 2014, the Company has sold 1,520,067 equity shares of Rs.10 each held in Pioneer Distilleries Limited ("PDL"), a listed subsidiary of the Company, representing 11.35% of the share capital of PDL, to bring down the Promoter shareholding to 75%. This has resulted in a loss of Rs.10.85 Crores and is presented as an Exceptional Item for the year ended March 31, 2015.
10. During the previous financial year, the Board had directed a detailed and expeditious inquiry in relation to certain matters referred to in paragraphs (a) to (c) below, 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, and the possible existence of any other transaction of a similar nature (the "Inquiry"). Pursuant to the directions of the Board, the Inquiry was headed by the Managing Director and Chief Executive Officer ("MD & CEO") of the Company. The Board also directed the MD & CEO to engage independent advisers and specialists as required. At its meeting held on April 25, 2015, the Board discussed and considered in detail the report ("Inquiry Report") submitted by the MD & CEO in relation to the Inquiry, the inputs and expert advice of the independent advisers and specialists and other relevant inputs.
 - a) During the financial year ended March 31, 2014, certain parties who had previously given undisputed balance confirmations for the financial year ended March 31, 2013, claimed in their balance confirmations to the Company for the financial year ended March 31, 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, 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 were 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. In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, the Management's assessment of recoverability and other considerations, as a matter of prudence, an aggregate amount of Rs.649.55 Crores (including interest claimed) was provided in the financial statements for the financial year ended March 31, 2014 and was disclosed as a prior period item. Management has sought confirmations of balances from these counterparties for the year ended March 31, 2015 but have not received responses from some of them.

The Inquiry Report stated that between 2010 and 2013, funds involved in many of these transactions were diverted from the Company and/or its subsidiaries to certain UB Group companies, including in particular, Kingfisher Airlines Limited ("KFA"). The diverted amounts were included in the provision made by the Company in the financial statements for the previous financial year. The Inquiry also indicated that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the listing agreement signed by the Company with various stock exchanges in India on which its securities are listed.

During the year ended March 31, 2015, an additional provision of Rs.21.60 Crores was made for interest claimed. The Management has determined that in light of these provisions, no additional material adjustments to the financial results are required on this account.

In connection with the recovery of the funds that were diverted from the Company and/or its subsidiaries, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company is in the process of initiating steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible.

- b) Certain pre-existing loans / deposits / advances were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ("UBHL") and were in existence as on March 31, 2013. Such dues (together with interest) aggregating Rs.1,337.40 Crores, were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on July 3, 2013. In addition, the amounts owed by UBHL to the Company's wholly-owned subsidiaries had been assigned by such subsidiaries to the Company and recorded as loans from such subsidiaries in the books of the Company. The interest rate under the above mentioned loan agreement with UBHL is 9.5% p.a., with the interest to be paid at six-monthly 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 eight years and is payable in three annual instalments commencing from the end of 6th anniversary of the effective date of the loan agreement.

Pursuant to the directions of the Board, the Inquiry also included a review of documentation to further understand and assess elements of and background to the above loan arrangement and to establish the rationale / basis for the interest rate applicable in respect of the consolidated loan amount.

With regard to the prior transactions that were consolidated into the single loan on July 3, 2013, the Inquiry Report stated that, *prima facie*, between 2010 and July 2013, certain transactions appear to have been undertaken and certain accounting entries appear to have been made to show a lower exposure of the Company (and its subsidiaries) to UBHL than the exposure that actually existed at that time. *Prima facie*, this indicates



various improprieties and potential violations of provisions, *inter alia*, of the Companies Act, 1956, and the listing agreement signed by the Company with various stock exchanges in India on which its securities are listed. The Company is in the process of evaluating its rights and remedies in relation to such violations.

During the previous year, as a matter of prudence, the Company had not recognized interest income of Rs.96.31 Crores and had provided Rs.330.32 Crores towards the principal outstanding as at March 31, 2014. The notes to accounts for the previous year had recorded the Management's belief that it should be able to recover, and that no further provision is required for the balance amount of Rs.995.46 Crores. The said notes also mentioned that the Management would continue to assess the recoverability of the said loan on an on-going basis.

As per the terms of the said loan agreement, an amount of Rs.191.10 Crores (gross of tax) was payable by UBHL to the Company towards the interest payable as of January 2015 under the loan agreement. However, the Company is yet to receive such interest payment from UBHL. The Company has received a letter from UBHL stating that it is involved in litigations with various creditors of KFA in different courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka.

As a result of the above and other relevant factors, as a matter of prudence, the Company has provided a further amount of Rs.995.46 Crores towards the entire balance principal amount (i.e., the entire principal amount due under the loan agreement less the amount already provided in the accounts for the financial year ended March 31, 2014) and has not recognized interest income of Rs.120.70 Crores. The Company will pursue all rights and claims to recover the entire amount of the loan together with accrued interest from UBHL.

Also refer Note 11 below in connection with the non-approval by the shareholders of the Company of the loan agreement with UBHL (and of other potential related party transactions).

- c) In May 2014, the Company received a letter on behalf of a third-party claimant alleging that the Company had signed agreements creating a lien on certain assets held by the Company, to secure loans provided by the third party claimant to Kingfisher Airlines Limited. The Company disputed this and the claim was subsequently withdrawn by the third party. Pursuant to the directions of the Board, the Inquiry included a review of documentation to further understand and assess the Company's position in relation to the above matter. The Inquiry indicated that no Board authorisation or approval had been obtained to authorize anyone to execute any such agreement to create a lien on the investments of the Company to secure the rights of the third party claimant. No claims were received from the claimant or any other person during the year. Based on the Inquiry and its current knowledge, Management does not expect any liability or obligation to arise from this matter.
- d) In relation to the Company's funds that were diverted from the Company, the Board of Directors at their meeting held on April 25, 2015, unanimously agreed to pursue all rights and claims against the relevant parties mentioned in the Inquiry Report to expeditiously recover the Company's dues from such parties, to the extent possible.
- e) With regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which also dealt with transactions involving the counterparties referred to in the notes to the Company's audited financial statements for the previous financial year. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified raised concerns as to the propriety of the underlying transactions. The Management has made the following provisions with respect to such transactions: (a) Rs.67.81 Crores made in the Company's financial results for the financial year ended March 31, 2015, (b) Rs.44.54 Crores made in the Company's subsidiaries' financial

statements for the financial year ended March 31, 2015, (c) Rs.15.70 Crores made in the previous year in the Company's financial statements, and (d) Rs.108.71 Crores made in the previous year in the Company's consolidated financial statements. The Management believes these provisions are adequate and no additional material adjustments are likely to be required in relation thereto.

The Board also believes that it is necessary to assess whether the Additional Matters or the transactions with the Additional Parties were improper. The Board has therefore directed the MD & CEO to expeditiously review the Additional Matters and transactions with the Additional Parties during the period covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results.

11. As per the requirements of the listing agreements entered into by the Company with various stock exchanges, and applicable circulars issued by SEBI (including circular No. CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 ("April 17 Circular") and circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014), the Company sought approval of its shareholders for certain historical agreements at the extraordinary general meeting ("EGM") held on November 28, 2014, including the following: (a) loan agreement dated July 3, 2013, between the Company and UBHL; (b) agreements dated September 30, 2011 and December 22, 2011 respectively, between the Company and UBHL requiring UBHL to sell to the Company certain immovable properties; (c) services agreement dated July 3, 2013, between the Company and Kingfisher Finvest India Limited; (d) advertising agreement dated October 1, 2013 (which amended and restated the original agreement dated July 3, 2013) between the Company and Watson Limited; (e) sponsorship agreement dated June 11, 2013 between the Company and United Racing & Bloodstock Breeders Limited; (f) sponsorship agreement dated June 11, 2013 between the Company and United Mohun Bagan Football Team Private Limited; (g) aircraft services agreement dated June 11, 2013 between the Company and UB Air Private Limited; (h) properties call agreement dated June 11, 2013 between the Company and PE Data Centre Resources Private Limited; and (i) contribution agreement dated June 11, 2013 between the Company and Vittal Mallya Scientific Research Foundation.

As stated in the EGM notice dated October 31, 2014, each of the above-mentioned transactions were duly approved by the board of directors of the Company, prior to entering into the agreement corresponding to such transaction. The EGM notice further stated that while the April 17 Circular mandates that all existing material related party transactions be placed before the shareholders for their approval by way of a special resolution, thus far, the consequences of any non-approval of such existing transactions by the shareholders by the requisite majority is unclear. It is therefore possible that non-approval of one or more of the above-mentioned agreements by the requisite majority may result in the Company being obliged to cease to act upon and potentially put the Company in breach of such agreements, which are the subject of non-approval by the shareholders. This could potentially result in a dispute with the relevant counterparties who may contend that the Company has breached the relevant agreement by failing to act on or fulfil its obligations under the same. Such potential disputes could be protracted and costly, and could result in financial or other liabilities on the Company. Also, any inability on the part of the Company to act on or fulfil its obligations under the unapproved agreements could result in the Company being potentially unable to receive the benefit of the various rights that it is entitled to under such agreements (such as in the case of the agreement noted in (b) above). It was also stated in the EGM Notice that in the absence of sufficient clarity in respect of the provisions dealing with existing material related party contracts and arrangements, the Company was tabling the above-mentioned agreements for the approval of the shareholders by way of abundant caution.

It was further stated that the Company was still in the process of seeking confirmations from, and verifying the position in relation to, the counterparties to, *inter alia*, the above mentioned agreements as to whether or not they are related parties of the Company, and it was not clear whether the counterparties to such agreements are indeed related parties of the Company for the purpose of Clause 49(VII) of the Listing Agreement. However, to the extent it ultimately transpired that all or any of above mentioned agreements do not qualify as existing material related party contracts or arrangements, or the counterparties to all or any of these agreements

do not qualify as related parties of the Company, such that approval of the shareholders of the Company is not required under the April 17 Circular in respect of any of the above mentioned contracts or arrangements then, in that case, it shall follow that there will be no consequences on such contracts or arrangements or on their validity or on any act or omission that may have been committed or omitted pursuant thereto, by reason of the shareholders having approved or not approved any of such contracts or arrangements.

At the EGM, the above-mentioned agreements were not approved by the shareholders of the Company by requisite majority. Consequently, the Company has sought clarifications/ directions from SEBI with respect to the implications of the non-approval of the aforesaid agreements by the shareholders of the Company.

Pending the clarification / direction from SEBI, the Company has recognized the charges up to November 28, 2014, in respect of the agreements listed in (c) to (g) and (i) above, amounting to Rs.135.73 Crores during the financial year ended March 31, 2015 (Rs. 138.22 Crores for the financial year ended March 31, 2014). In light of the fact that the Company's shareholders have not approved the said agreements on November 28, 2014, the Company has not recognized the charges amounting to Rs.48.62 Crores from November 29, 2014 to March 31, 2015 payable under the agreements listed in (c) to (g) and (i) above. The Company has informed the respective counterparties that the contracts mentioned above have not been approved by the shareholders. Further, subsequent to November 28, 2014, in response to the letters received by the Company from the concerned counterparties, the Company has made payments amounting to Rs.7.43 Crores to some of these counterparties with respect to the dues for services received prior to November 28, 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the clarifications / directions from SEBI, the Company has not made any payments to the respective counterparties under the agreements in (c) to (g) and (i) above for the period subsequent to November 28, 2014 and has considered these amounts as contingent liabilities. Also see Note 10(b) above in relation to the loan agreement listed above.

12. The Managerial remuneration for the financial year ended March 31, 2015 aggregating Rs.6.49 Crores and Rs.15.31 Crores towards remuneration of the MD & CEO and the Executive Director and Chief Financial Officer ("ED & CFO") respectively was approved by the shareholders of the Company at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Act. Accordingly, the Company is in the process of obtaining the requisite approval from the Central Government for such excess remuneration.
13. The following letters / notices were received by the Company subsequent to the balance sheet date with respect to the matters under Inquiry.
 - a) The Company has received a notice from the Ministry of Corporate Affairs for an inspection, under Section 206(5) of the Act, of the books of accounts and other books and papers of the Company. A notice under Section 131 of the Income Tax Act, 1961 has also been received. The Company is cooperating fully with the authorities in relation to the same.
 - b) The Company has also received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports. Any remedial actions proposed by the previous auditors will be considered by the Company in the light of applicable legal provisions.
 - c) As directed by the Board, the Company provided a copy of the Inquiry Report to its statutory auditors for their review and further actions as may be required. Following this, the Audit Committee of the Board has received from the statutory auditors a report under Section 143(12) of the Act and the relevant rules thereunder, seeking the Audit

Committee's reply / observations. The Audit Committee is in the process of providing its reply / observations to the statutory auditors.

- d) The Company has also received a letter from the National Stock Exchange Limited ("NSE") pursuant to SEBI circular no. CIR/CFD/DIL/7/2012 dated August 3, 2012 in relation to Form B along with audited financial statements for the financial year ended March 31, 2014. SEBI has directed the NSE to advise the Company to suitably rectify the qualifications raised by the statutory auditors, which the Company has suitably addressed to the extent possible.
14. In relation to the standalone financial results of the Company, during the financial year ended March 31, 2015, the Company has recorded the provision for diminution on long-term investments in subsidiaries amounting to Rs.361.81 Crores and loans and advances to subsidiaries amounting to Rs.354.35 Crores. This provision arises primarily due to low capacity utilization, negative margins or strategic shift in focus of the business. The Company has recorded this provision based on third party valuations. In relation to the consolidated financial results, during the financial year ended March 31, 2015, the Company has recorded the impairment of goodwill amounting to Rs.120.90 Crores. The Company has recorded this impairment in line with the factors considered above.
15. During the year ended March 31, 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 instalments 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. On March 31, 2015, the bank demanded an amount of Rs.47.4 Crores towards principal and interest on the said loan. The Company has sought a stay from the Honourable High Court of Karnataka with respect to the aforesaid demand. 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 March 31, 2015. The tenure of credit facility has been completed as on March 31, 2015.
16. The Statutory Auditors of the Company have audited the accompanying Statement of Audited Financial Results of the Company for the year ended March 31, 2015, attached herewith, being submitted by the Company pursuant to the requirements of Clause 41 of the listing agreement signed by the company with various stock exchanges, 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 Auditors' Report is being filed with the NSE and BSE.

Board's Responses to Audit Qualifications

The Statutory Auditors have qualified their opinion in relation to the matters specified in Notes 10 to 12 as follows:

- a) **Auditor's observations under Paragraph 4 of the Auditor's report to the financial results** (the "Results"): *As stated in Note 10 (a) and (d) to the Statement, during the year ended 31 March 2014, 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 had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, 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 were 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. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of Rs 6,495.5 million (including interest claimed) was provided in the financial statements for the financial year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of Rs 216 million was made for interest claimed during the year. The Company has not made provision for any unclaimed interest on these amounts.

During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, 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, and the possible existence of any other transaction of a similar nature ("Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

Based on its current knowledge, the Management believes that the provisions made with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. The Board has directed the Management to expeditiously review the Additional Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial results. Pending such review of the Additional Matters and transactions with Additional Parties, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the financial results including the impact on the opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate

Board Response: Detailed information and explanation on the qualification in paragraph 4 of the audit report is provided in Note 10 to the Statement. In particular, as stated in Note 10(a), an aggregate amount of Rs. 649.55 Crores (including interest claimed) was provided in the financial statements for the financial year ended March 31, 2014 and was disclosed as a prior period item. During the year ended March 31, 2015, an additional provision of Rs.21.60 Crores was made for interest claimed. The Management has determined that in light of these provisions, no additional material adjustments to the financial results are required in respect of the dues owing to the Company from such parties. In connection with the recovery of the above funds, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company is in the process of initiating steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible.

In relation to the transactions with the Additional Parties and the Additional Matters referred to above, as stated in Note 10(e) to the financial results, Management has made the following provisions with respect to such transactions: (a) Rs.67.81 Crores made in the Company's financial results for the financial year ended March 31, 2015, (b) Rs.44.54 Crores made in the Company's subsidiaries' financial statements for the financial year ended March 31, 2015, (c) Rs.15.70 Crores made in the previous year in the Company's financial statements, and (d) Rs.108.71 Crores made in the previous year in the Company's consolidated financial statements. The Management believes these provisions are adequate and no additional material adjustments are likely to be required in relation thereto. The Board has directed the MD & CEO to expeditiously further review the Additional Matters and transactions with the Additional Parties during the period

covered by the Inquiry and report to the Board his conclusions on the transactions and any further impact on the Company's financial results.

- b) **Auditor's observations under Paragraph 5 of the Auditor's report to the financial results:** As stated in Note 11 to the Statement, as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the Securities and Exchange Board of India ("SEBI") and applicable provisions of the Act, the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting ("EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification/direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification/direction from the SEBI, during the year ended 31 March 2015, the Company has recognised the underlying expenses pursuant to these agreements up to 28 November 2014 aggregating Rs 1,357 million. The Company has not recognised charges arising out of non-approved agreements aggregating Rs 486 million for the period from 29 November 2014 to 31 March 2015 and has disclosed the same as contingent liability. Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to Rs 74 million to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the resolution of this matter, we are unable to comment on the accounting treatment of the expenses under the agreement, balance due to/from the respective counterparties and any other implications resulting from such non-approval.

Board response: Detailed information and explanation on the qualification in paragraph 2 of the audit report is provided in Note 11 to the Statement. Pending the clarification / direction from SEBI, the Company has recognized the charges up to November 28, 2014, in respect of the agreements listed in (c) to (g) and (i) specified in Note 11 above, amounting to Rs.135.73 Crores during the financial year ended March 31, 2015 (Rs.138.22 Crores for the financial year ended March 31, 2014). In light of the fact that the Company's shareholders have not approved the said agreements on November 28, 2014, the Company has not recognized the charges amounting to Rs.48.62 Crores from November 29, 2014 to March 31, 2015 payable under the agreements listed in (c) to (g) and (i) specified in Note 11 above. The Company has informed the respective counterparties that the contracts mentioned above have not been approved by the shareholders. Further, subsequent to November 28, 2014, in response to the letters received by the Company from the concerned counterparties, the Company has made payments amounting to Rs.7.43 Crores to some of these counterparties with respect to the dues for services received prior to November 28, 2014, specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the clarifications / directions from SEBI, the Company has not made any payments to the respective counterparties under the agreements in (c) to (g) and (i) specified in Note 11 above for the period subsequent to November 28, 2014 and has considered these amounts as contingent liabilities. Also see Note 10(b) of the Results in relation to the loan agreement listed in (a) above. Pending any clarifications / directions from SEBI, the Company is unable to determine whether there could be any impact on the financial results.

- c) **Auditor's observations under Paragraph 6 of the Auditor's report to the financial results:** As stated in note 12 to the Statement, the Managerial remuneration for the year ended 31 March 2015 aggregated Rs 65 million and Rs 153 million towards remuneration of the Managing Director and Chief executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO), respectively. The aforesaid amounts include remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. The Company is in the process of obtaining the requisite approval



from the Central Government for such excess remuneration. In the absence of the required approval, we are unable to assess the impact of such excess remuneration on the financial results of the Company.

Board response: Information and explanation on the qualification in paragraph 6 of the audit report is provided in Note 12 to the Statement. In particular, as stated in Note 12, the Company is in the process of obtaining the requisite approval from the Central Government for such excess remuneration. Pending such approval, the Company is unable to determine whether there could be any impact on the financial results.

17. During the year, a bank declared one of the directors of the Company as a wilful defaulter in respect of another company where he is a promoter director. The Reserve Bank of India's Master Circular on Wilful 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 results have been prepared on a going concern basis. The Company understands from public records that the above-mentioned decision of the bank declaring the said director as a wilful defaulter has been quashed by an order of the Calcutta High Court on December 24, 2014.
18. 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, 2015.
19. The figures for the last quarter ended March 31, 2015 and March 31, 2014 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, 2014 and December 31, 2013 respectively, as adjusted for the effects of the transaction described in Note 3.
20. Previous period's figures have been regrouped / reclassified as per the current period's presentation for the purpose of comparability.
21. The above audited results have been reviewed by the audit committee of the Board on May 25, 2015 and approved by the Board of Directors at its meeting held on May 26, 2015.

By authority of the Board


Anand Kripalu
Managing Director and CEO

Mumbai
May 27, 2015

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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 2015, 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 2015 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 as adjusted for the effects of the demerger stated in note 3 to the financial results as applicable. 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 financial statements of the current year and reviewed quarterly financial results upto the end of the third quarter, which are the responsibility of the Company's Management. 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 133 of the Companies Act, 2013 ("the Act") 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. As stated in Note 10 (a) and (e) to the Statement, during the year ended 31 March 2014, 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 had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, 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 were 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. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of Rs 6,495.5 million (including interest claimed) was provided in the financial statements for the financial year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of Rs 216 million was made for interest claimed during the year. The Company has not made provision for any unclaimed interest on these amounts.

During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, 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, and the possible existence of any other transaction of a similar nature ("Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

Based on its current knowledge, the Management believes that the provisions made with respect to the above matters are adequate and no additional material adjustments are likely to be required in relation thereto. The Board has directed the Management to expeditiously review the Additional Matters and transactions with the Additional Parties and report to the Board on Management's conclusions on the transactions and any further impact on the Company's financial results. Pending such review of the Additional Matters and transactions with Additional Parties, we are unable to comment on the nature of these transactions; the provisions established; or any further impact on the financial results including the impact on the opening balances for the year. Further, pending resolution of the above disputes, we are unable to comment on whether the provision established for interest is appropriate.

5. As stated in Note 11 to the Statement, as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the Securities and Exchange Board of India ("SEBI") and applicable provisions of the Act, the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting ("EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification/direction from SEBI with respect to



the implications arising from the non-approval of the said agreements. Pending the clarification/direction from the SEBI, during the year ended 31 March 2015, the Company has recognised the underlying expenses pursuant to these agreements upto 28 November 2014 aggregating Rs 1,357 million. The Company has not recognised charges arising out of non-approved agreements aggregating Rs 486 million for the period from 29 November 2014 to 31 March 2015 and has disclosed the same as contingent liability. Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to Rs 74 million to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the resolution of this matter, we are unable to comment on the accounting treatment of the expenses under the agreement, balance due to/from the respective counterparties and any other implications resulting from such non-approval.

6. As stated in note 12 to the Statement, the Managerial remuneration for the year ended 31 March 2015 aggregated Rs 65 million and Rs 153 million towards remuneration of the Managing Director and Chief executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO), respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. The Company is in the process of obtaining the requisite approval from the Central Government for such excess remuneration. In the absence of the required approval, we are unable to assess the impact of such excess remuneration on the financial results of the Company.
7. Without qualifying our opinion, we draw attention to:
 - (a) Note 10 (b) to the Statement, which states that, during the year ended 31 March 14, various pre-existing loans / advances / deposits (together with interest) due from United Breweries (Holdings) Limited ("UBHL") by the Company and its subsidiaries aggregating Rs 13,374 million on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL. As per the terms of the said loan agreement, an amount of Rs 1,911 million (gross of tax) was payable by UBHL to the Company towards the interest payable as of January 2015. However, the Company is yet to receive such interest payment from UBHL. The Company has received a letter from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different Courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka. As a result of the above and other relevant factors, during the year ended 31 March 2015, the Company has provided the remaining principal balance of the loan aggregating Rs 9,955 million (in addition to the Rs 3,303 million that was provided for during the year ended 31 March 2014) and has not recognized interest income of Rs 1,207 million for the year (previous year: 963 million);



- (b) Note 5 (a) 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 approved the TERN Scheme at their EGM 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;
- (c) Note 5 (b) 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;
- (d) Note 15 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 6,217 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. On 31 March 2015, the bank demanded an amount of Rs 474 million towards principal and interest on the said loan. The Company has sought for a stay from the Honourable High Court of Karnataka with respect to the aforesaid demand. Pending settlement with the bank, the loan amount and balance available in cash credit account is presented on net basis in the Statement as at 31 March 2015;
- (e) Note 13 to the Statement, wherein it is stated that (i) the Company has received a notice from the Ministry of Corporate Affairs for an inspection, under section 206(5) of the Act, of the books of accounts and other books and papers of the Company; (ii) the Company has received a notice under Section 131 of the Income Tax Act, 1961; and (iii) the Company has received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports;
- (f) Note 10 to the Statement, wherein it is stated that the Inquiry noted certain regulatory non-compliances with respect to the Companies Act, 1956, the listing agreement with the stock exchanges in India and other regulations as mentioned in the said note, and that the financial impact of these non-compliances on the Company were estimated by Management to be not material; and



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- (g) Note 14 to the Statement, wherein it is stated that during the financial year ended 31 March 2015, based on the reasons mentioned in the said note, the Company has reassessed the recoverability of the loans and advances to and investments in certain subsidiaries. The Company has thus provided for amounts aggregating Rs 3,544 million and Rs 3,618 million with respect to loans and advances to and investments in relation to these subsidiaries respectively.
8. In our opinion and to the best of our information and according to the explanations given to us, except for matters stated in paragraphs 4, 5 and 6 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 2015.
9. 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: 27 May 2015