



UNITED SPIRITS LIMITED

(Corporate Identity Number: L01551KA1999PLC024991)

Registered Office: "UB Tower", #24, Vittal Mallya Road, Bangalore 560001, India

Telephone No. 91 80 39856500, 22210705, Fax: 91 80 39856862

www.unitedspirits.in

POSTAL BALLOT NOTICE

Notice pursuant to Section 110 of the Companies Act, 2013

Dear Shareholders,

Notice is hereby given, pursuant to Sections 110 and 180 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 and Regulation 26 (2) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, to the members of United Spirits Limited ("**Company**") to transact the following business by passing the following Special Resolution by way of a postal ballot.

Draft Special Resolution

Sale and transfer of the entire issued share capital of Whyte and Mackay Group Limited

To consider and, if thought fit, to pass, the following resolution as a Special Resolution

RESOLVED THAT pursuant to and in accordance with the provisions of Section 180 of the Companies Act, 2013, including any statutory modification or re-enactment thereof for the time being in force, Rule 22 of the Companies (Management and Administration) Rules, 2014, Regulation 26 (2) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, and the Memorandum and Articles of Association of the Company, consent of the Shareholders be and is hereby accorded to:

- (i) the sale and transfer of the entire issued share capital of Whyte and Mackay Group Limited, that is presently owned by United Spirits (Great Britain) Limited, an indirect wholly owned subsidiary of the Company to Emperador UK Limited, a subsidiary of Emperador Inc., for an enterprise value of £430 million, in accordance with the terms and subject to the conditions set out in a share sale and purchase agreement between United Spirits (Great Britain) Limited, Emperador UK Limited and Emperador Inc. (as may be amended or modified from time to time) dated May 9, 2014 and an associated tax deed;
- (iii) the Board of Directors of the Company ("**Board**") to do all such acts, matters, deeds and things as the Board may consider necessary, expedient or desirable in order to effect the sale as aforesaid, including without limitation, to file necessary applications with regulatory authorities and to appoint consultants, valuers, legal advisors and all such agencies as may be required for the purposes of effecting the sale as aforesaid, without being required to seek further clarification, consent or approval of the members and that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution; and
- (iv) the Board to delegate all or any of its powers conferred by the above resolution to any director or directors or to any committee of directors or any other officer or officers of the Company to give effect to the aforesaid resolution.

RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter(s) referred to or contemplated in any of the foregoing resolutions be and are hereby approved, ratified and confirmed in all respects.

**By order of the Board
For United Spirits Limited**

Place : Bangalore
Date : May 09, 2014

**V.S. Venkataraman
Company Secretary**

Notes:

1. A copy of this notice has been placed on the website of the Company www.unitedspirits.in and shall remain on the website until the last date for receipt of the postal ballots from the shareholders.
2. The explanatory statement pursuant to Section 102 of the Companies Act, 2013 and Rule 22 of the Companies (Management and Administration) Rules, 2014, (“Rules”) setting out all material facts in respect of the business specified in this notice and the reasons thereto is annexed hereto. The Special Resolution mentioned herein shall be declared as passed if the number of votes cast in its favour is not less than three times the number of votes cast against the said Special Resolution.
3. The postal ballot form for voting by shareholders is enclosed.
4. In accordance with Rule 22(3) of the Rules, after the postal ballot is dispatched, an advertisement will be published in at least one English language and one vernacular language newspaper circulating in Bangalore.
5. The notice is being sent to all the members of the Company, whose names appear on the register of members/ record of depositories as on May 22, 2014.
6. The Board of Directors have, at their meeting held on May 9, 2014, appointed Mr. M.R. Gopinath, Company Secretary (in Practice) as the scrutinizer for conducting the postal ballot process in a fair and transparent manner. The scrutinizer’s address is Rukmini, 1st Floor, 252/B, II 'C' Main, I Phase, Girinagar, Bangalore 560 085.
7. Members are requested to read carefully the instructions printed on the postal ballot form and either: (a) return the form duly completed in the attached self addressed pre-paid postage envelope; or (b) vote by electronic means in the manner set out herein, in each case, so as to ensure that votes reach the scrutinizer on or before 5.30 p.m. on the 2nd day of July, 2014 (“**Last Date**”).
8. The scrutinizer will submit his report to the Chairman as soon as possible after the last date of receipt of all postal ballots but not later than 7 days thereof. Upon completion of the scrutiny of the postal ballot votes, the result of the postal ballot will be announced on the 4th day of July, 2014 at the registered office of the Company and by placing it, along with the scrutinizer’s report, on the website of the Company at www.unitedspirits.in and will also be communicated to the stock exchanges where the equity shares of the Company are listed. The Special Resolution, if approved, will be taken as passed effectively on the date of declaration of result.
9. The documents referred to in this notice and explanatory statement are open for inspection at the registered office of the Company on all working days of the Company (except Saturdays and Sundays) between 11 a.m. and 5.30 p.m. up to July 02, 2014.
10. In accordance with Clause 35B of the Listing Agreement and Rule 22 of the Rules, the Company is pleased to offer an e-voting facility to shareholders and business connected with this postal ballot may be transacted by the shareholders through such e-voting system. Notice of this meeting has been sent to all shareholders who have registered their email ids with the Company or the Registrar and Transfer Agent/Depository Participants. Necessary arrangements have been made by the Company with National Securities Depository Limited to facilitate e-voting as an alternate to the dispatch of postal ballot forms. E-voting is optional and members shall have the option to vote either through e-voting or through submission of the postal ballot form.
11. Shareholders who wish to vote through a ballot form may download the ballot form from the link (www.evoting.nsdl.com) or seek a duplicate form from Integrated Enterprises (India) Limited, 30 Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore 560 003, fill in the details and send the same to the scrutinizer.
12. The instructions for e-voting are as under:
 - (i) In the case of shareholders receiving an email from NSDL:
 - (a) Open the email and the attached PDF file titled “USL E-voting.pdf” with your Client ID or Folio No. as password. The pdf file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - (b) Launch an internet browser and type the following URL: <https://www.evoting.nsdl.com>.
 - (c) Click on “Shareholder” – “Login”.
 - (d) Type in your user ID and initial password as mentioned in Step (a) above.
 - (e) Click Login.

- (f) When the password change menu appears, change your password to a phrase of your choice with a minimum of 8 digits/characters or a combination thereof. Note the new password. It is strongly recommended that you do not share your password with any other person and take care to keep your password confidential.
 - (g) The home page of “e-Voting” should open thereafter. Click on “e-Voting”:- Active Voting Cycles.
 - (h) Select “EVEN” of United Spirits Limited.
 - (i) Now you are ready for “e-Voting” as “Cast Vote” page opens.
 - (j) Cast your vote by selecting the appropriate option and click on “Submit” and also “Confirm” when prompted.
 - (k) Institutional shareholders (i.e. other than individuals, HUF, NRI etc) are also required to send a scanned copy (PDF/ JPG format) of the relevant board resolution/authority letter etc. together with an attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by an e-mail to uslscrutinizer@gmail.com with a copy marked to evoting@nsdl.co.in.
 - (ii) In the case of shareholders other than those referred to in paragraph 12 (i) above, your initial password is provided at the bottom of the postal ballot form. Please follow all steps from paragraph (b) to (k) above to cast your vote;
 - (iii) If you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote; and
 - (iv) The voting period ends on the close of day (5.30 p.m.) on July 02, 2014. The e-voting module will be disabled for voting thereafter by NSDL.
13. The Scrutinizer’s decision on the validity of the postal ballot shall be final and binding.
14. Please note that any postal ballot form(s) received after the Last Date (i.e. July 02, 2014) will be treated as not having been received and after the Last Date, the portal where e-votes can be cast will be blocked.
15. If you have any queries, please refer to Frequently Asked Questions (FAQs) for shareholders and e-voting user manual for shareholders available at the ‘downloads’ section of www.evoting.nsdl.com.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 102 OF THE COMPANIES ACT, 2013

Material facts relating to the proposed divestment

The proposed divestment

1. The Board of Directors ("**Board**") of United Spirits Limited ("**Company**"), at its meeting held on May 9, 2014 has considered desirable, subject to obtaining the necessary regulatory and shareholder approvals, the sale and transfer of the entire issued share capital of Whyte and Mackay Group Limited ("**Whyte and Mackay**") to Emperador UK Limited, a subsidiary of Emperador Inc., the leading Philippines based integrated manufacturer and distributor of brandy as well as other alcoholic beverages. The Board has accordingly recommended to the Board of Directors of United Spirits (Great Britain) Limited, its wholly owned indirect subsidiary ("**USGBL**"), to consider approving the sale of the entire issued share capital of Whyte and Mackay to Emperador UK Limited, for an enterprise value of £430 million and upon the terms and subject to the conditions set out in a share sale and purchase agreement between United Spirits (Great Britain) Limited and Emperador UK Limited and Emperador Inc. (as may be amended or modified from time to time) dated May 9, 2014 (the "**SPA**") and an associated tax deed (the "**Tax Deed**" and together with the SPA, the "**SPA Documents**"). The Board of Directors of USGBL has, on May 9, 2014, approved the sale and entered into the share sale and purchase agreement with Emperador UK Limited and Emperador, Inc. The proposed sale is referred to herein as the "**Proposed Transaction**".

Background to the proposed divestment

2. The entire issued share capital of Whyte and Mackay Limited, an alcoholic beverages company based in Glasgow, United Kingdom, is held by Whyte and Mackay. Whyte and Mackay was acquired by the Company in May 2007 through its indirect wholly owned subsidiary. Whyte and Mackay Limited's products include single malt and blended Scotch whiskies, liqueurs and vodka and its brands include Dalmore, Jura, and Whyte and Mackay, amongst others. Whyte and Mackay has a revenue of £252 million, an EBITDA of £24.9 million and total assets of £310 million for the year ended March 31, 2014. As per the Company's audited consolidated financials for the year ended March 31, 2013, Whyte and Mackay contributes to 17% of the Company's consolidated net turnover, and 17% of the consolidated total assets. The valuation in relation to the proposed divestment based on the latest earnings (normalised) is at a multiple of 19.3 times the normalised EBITDA for the year ended March 31, 2014 resulting in an enterprise value of £430 million. The valuation is at a multiple of 17.3 times EBITDA as per Whyte and Mackay's audited financial statements for the year ended March 31, 2014.
3. The acquisition of Whyte and Mackay by an indirect wholly owned subsidiary of the Company in 2007 was financed by the Company on a fully leveraged basis by a USD 618.915 million loan from Citibank N.A., London Branch (the "**Citibank Loan**") and a £325 million loan from ICICI Bank UK PLC (the "**ICICI Loan**"). The Citibank Loan was prepaid by the Company in 2009/10, with money being lent by the Company to its subsidiary, USL Holdings Ltd, BVI (the "**Intra-USL Group Loan**") and lent further by USL Holdings Ltd, BVI to its subsidiary to allow the Citibank Loan to be prepaid. The ICICI Loan was refinanced first in August 2011 and subsequently in March 2014 and £370 million of principal is currently outstanding thereunder from USL Holdings (UK) Limited to Standard Chartered Bank, RaboBank International and DBS Bank Limited (the "**Refinanced Acquisition Facility**").
4. On May 27, 2013, Relay B.V. ("**Relay**"), an indirect wholly owned subsidiary of Diageo plc ("**Diageo**"), completed its subscription to 14,532,775 equity shares representing 10% of the post-allotment equity capital of the Company pursuant to a preferential allotment by the Company and on July 4, 2013, Relay, pursuant to a share purchase agreement between, amongst others, Diageo, Relay, United Breweries (Holdings) Limited and Kingfisher Finvest India Limited, acquired 21,767,749 equity shares representing 14.98% of the equity capital of the Company. Further, on May 13, 2013, Relay acquired 58,668 equity shares of the Company representing 0.04% of the equity capital of the Company from the public shareholders of the Company pursuant to a mandatory open offer made by it. Pursuant to the aforementioned transactions (collectively the "**Diageo Acquisition**"), Relay came to hold 25.02% of the equity share capital of the Company. Following the Diageo Acquisition, Relay increased its shareholding in the Company by way of purchases on the stock exchange on November 28, 2013 and February 4, 2014. Presently, Relay holds 41,327,132 equity shares constituting 28.78% of the equity share capital of the Company. Further, Relay has nominated Mr. Paul Walsh, Mr. Gilbert Ghostine, Mr. Ravi Rajagopal and Mr. P.A. Murali as directors on the board of the Company. Also, Mr. Anand Kripalu and Mr. P.A. Murali were appointed as the Chief Executive Officer and Chief Financial Officer, respectively, of the Company, by the Board of Directors on the recommendation of Relay.
5. Separately, on April 15, 2014, in terms of Regulation 3 (2) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("**Takeover Regulations**"), JM Financial Institutional Securities Limited and HSBC Securities and Capital Markets (India) Private Limited, for and on behalf of Relay and Diageo, made a public announcement of an open offer to acquire up to 37,785,214 equity shares representing 26% of the equity capital of the Company from the public shareholders of the Company. On completion of the open offer (assuming full take-up), Relay would hold 54.78% of the Company's issued share capital. Based on the offer documents publicly available, the open offer is likely to complete in July 2014.

6. The Diageo Acquisition was notified to the United Kingdom's then stage-one competition regulator, the Office of Fair Trading ("OFT"), by Diageo as part of the two-stage merger control review process then applicable under the laws of the United Kingdom. The Diageo Acquisition was accordingly reviewed by the OFT under the United Kingdom's Enterprise Act, 2002. In its decision dated November 25, 2013 ("OFT Decision"), the OFT expressed concerns that:
 - (i) there was an overlap between Diageo and the Company (through Whyte and Mackay) in the United Kingdom in respect of the manufacture and supply of bottled blended Scotch whisky (amongst other overlaps). This overlap covered both branded blended Scotch whisky and private label Scotch whisky;
 - (ii) the Diageo Acquisition would remove or reduce the competition constraint which Whyte and Mackay's private label Scotch whisky business imposed on Diageo's branded Scotch whisky business;
 - (iii) the Diageo Acquisition would also remove competition between Diageo's branded Scotch whisky business and Whyte and Mackay's branded Scotch whisky business; and
 - (iv) as a result, there was a realistic prospect of a substantial lessening of competition in the United Kingdom arising from the Diageo Acquisition.
7. In the United Kingdom, at the time the OFT identified the substantial lessening of competition referred to above, the OFT was under a legal duty to refer the Diageo Acquisition to the United Kingdom's then stage-two competition regulator, the Competition Commission ("CC"). However, the OFT had a discretion to accept remedies offered to it by way of undertakings in lieu of making a reference to the CC ("UIL"), insofar as it considered the UIL acceptable.
8. Accordingly, Diageo offered a UIL in the form of a partial divestment of the majority of the businesses and assets of Whyte and Mackay, with the exception only of two malt distilleries, Dalmore Distillery and Tamnavulin Distillery, and the brands, inventory, management and staff and supply arrangements associated with these distilleries.
9. The OFT subsequently suspended its duty to refer the Diageo Acquisition whilst it considered whether to accept the proposed UIL. It indicated that it would only accept the UIL subject to a so-called "up-front buyer" requirement, meaning that the Company would need to identify a buyer suitable from the perspective of the OFT and agree a sale with that buyer, conditional on OFT approval.
10. On April 1, 2014, the OFT and CC were abolished and their responsibilities transferred to the United Kingdom Competition and Markets Authority ("CMA"). This change will not affect the UIL process outlined above, the Diageo Acquisition or the Proposed Transaction save that the CMA is now responsible for determining whether formally to accept the UIL offered by Diageo (including approving Emperador UK Limited as the buyer). In the event that the CMA does not accept the UIL, it will be under a legal duty to refer the Diageo Acquisition for a Phase II review by the CMA (the equivalent of the previous CC review).
11. In the event that the Diageo Acquisition is referred for a Phase II review, the CMA would have the legal power to impose remedies, which power was not available to the OFT after its Phase I review. The CMA could, in principle, make any of the following orders:
 - (i) an order that the Company divests its shares in Whyte and Mackay;
 - (ii) an order that a UK holding company of Whyte and Mackay divests its shares in Whyte and Mackay or that Whyte and Mackay divests some or all of the assets comprising its business;
 - (iii) an order that Diageo divests some different assets which are controlled by Diageo; or
 - (iv) adopt a decision prohibiting the Diageo Acquisition and order Diageo to sell down its stake and reduce its voting rights in the Company to address competition concerns in the United Kingdom.
12. The Board considered the likely consequences of the orders described in paragraph 11 above. The Board has received legal advice that an order requiring the divestment of different assets of Diageo (as described in paragraph 11 (iii)) would be the least workable and least likely for a number of reasons including the OFT's concerns about own-label supplies and would not therefore be viable in practice. Therefore, the CMA would be more likely to make an order based on the options outlined in paragraphs 11 (i), (ii) and (iv). In respect of the CMA adopting a decision prohibiting the Diageo Acquisition and ordering Diageo to sell down its stake and reduce its voting rights in the Company (as described in paragraph 11 (iv) above), the Board believes that such a decision would have considerable negative commercial consequences for the Company.
13. Equally, the Board believes that an order that the Company divests Whyte and Mackay or Whyte and Mackay divests some or all of the assets comprising its business (as described in paragraphs 11 (i) and 11 (ii) above), would effectively result in a forced sale in a very short timeframe, which would be commercially disadvantageous and, in the Board's opinion, would deliver less value to the Company's shareholders than the Proposed Transaction.

Sale Process

14. In view of the above, in January 2014, the Board decided to initiate a process based on the outline time-table provided in connection with the decision of the OFT to explore a potential sale of all or part of Whyte and Mackay Limited (the “**Sale Process**”). USGBL appointed Rothschild/ RaboBank and Standard Chartered as financial advisers in respect of the Sale Process in January 2014.
15. The Sale Process consisted of two rounds of bidding over the course of 9 weeks. More than 25 bidders participated in the first round based upon certain information provided to them. At the conclusion of the first round, and influenced by more than 15 indicative first round bids received, it was decided that although the OFT Decision did not mandate the disposal of the whole of Whyte and Mackay, the most favourable commercial terms was likely be achieved by selling Whyte and Mackay in its entirety. Accordingly, 7 bidders were then selected to participate in the second round, during which bidders were given access to certain additional information relating to Whyte and Mackay. Following receipt of final bids, a shortlist of 3 preferred bidders was drawn up. Final negotiations were then held with Emperador UK Limited on the basis that its proposal was both financially compelling and capable of prompt execution, which resulted in the SPA being signed between Emperador UK Limited, Emperador Inc. as guarantor and USGBL on May 9, 2014.
16. At the recommendation of the Management, the Board believes that the consideration under the SPA represents a fair value for the asset. The Board also notes that the sale is at a significantly higher EBITDA multiple than the EBITDA multiple at the time of acquisition by the Company, despite the decline in profitability, depletion in the total scotch stocks of Whyte and Mackay and deterioration in the age profile of its scotch stocks. The Company had acquired Whyte and Mackay in 2007 at an EV/EBITDA multiple of approximately 11.5x and is managing to exit at an EV/EBITDA multiple of approximately 19.3x, as described in paragraph 2. The Board also notes in this regard that since its acquisition, the business of Whyte and Mackay has witnessed significant decline in its operating profitability. Revenues and EBITDA of Whyte and Mackay for the year ended March 31, 2009 were £216 million and £57 million respectively compared to £252 million and £24.9 million respectively for the year ended March 31, 2014.
17. As detailed further in paragraph 22, USGBL would utilise the proceeds of the sale arising from the Proposed Transaction to repay in full the Refinanced Acquisition Facility (together with interest) and associated costs relating to the sale. The repayment of the Refinanced Acquisition Facility would result in significant savings in interest. The interest charge on account of the Refinanced Acquisition Facility was approximately Rs. 308.3 crores for the year ended March 31, 2013 and approximately Rs. 332.8 crores for the year ended March 31, 2014.

Sale and Purchase Agreement

18. The terms of the Proposed Transaction are set out in the SPA Documents, the key terms of which are summarised below:
 - (i) The aggregate consideration for the sale of Whyte and Mackay payable to USGBL is £429.15 million (“**Aggregate Consideration**”), which is subject to adjustments following completion of the sale pursuant to the terms of the SPA (“**Completion**”) reflecting: (i) movements in net working capital (above or below a pre-agreed threshold), net indebtedness and cash of the Whyte and Mackay group between signing and Completion; and (ii) an agreed sum of £19.2 million in relation to the defined pension scheme deficit, net of pensions contributions for the year commenced April 1, 2014 (“**Completion Accounts**”). The enterprise value of Whyte and Mackay was £430 million (calculated with a normalized level of working capital) (“**Enterprise Value**”), from which deduction has been made for the payment of a warranty and indemnity insurance premium of £850,000 agreed between the seller and the purchaser;
 - (ii) The aggregate consideration for the Proposed Transaction will be payable in cash at Completion (subject only to allowance for estimates of the Completion Accounts adjustments as described above), except for £10 million which will be held in escrow in a jointly controlled retention account for 7 months post Completion (reducing to £5 million after 4 months), with the release of funds being subject, in each case, to any substantiated claims that are made within these periods. The purpose of this limited retention account is to provide recourse for the purchaser for any amounts payable by USGBL in relation to the Completion Accounts, for any proven breaches of the conduct of business undertakings in the SPA between signing and Completion or any proven warranty or indemnity claims;
 - (iii) The Proposed Transaction is subject to the satisfaction of the following conditions:
 - acceptance of the UIL outlined in paragraph 8 above and approval of Emperador UK Limited as a suitable upfront purchaser by the CMA;
 - the passing by the Company’s shareholders of the Special Resolution contained in the accompanying notice by postal ballot, authorising the Proposed Transaction; and
 - the Reserve Bank of India (the “**RBI**”) having granted its approval, without any materially onerous conditions, for the write-off of part of the Intra-USL Group Loan (as further described in paragraph 22 below).

- (iv) USGBL has given warranties in respect of the business and assets of Whyte and Mackay which are customary for a transaction of this nature and which include, without limitation, warranties relating to Whyte and Mackay's constitution, share capital, accounts and financial obligations, assets, regulatory matters, real estate, environmental and health and safety matters, intellectual property, material contracts, litigation, employees, pensions and tax;
 - (v) The warranties are given subject to customary limitations of liability, including disclosure, certain time limitations and financial caps;
 - (vi) The Tax Deed will provide Emperor UK Limited with certain UK market standard protections in relation to the tax liabilities of Whyte and Mackay arising in relation to tax accounting periods and from events occurring up to the date of Completion. Claims under the Tax Deed are also subject to similar limitations of liability as described above; and
 - (vii) The SPA includes limited termination rights.
19. Each of the Company and USGBL has given a non-solicitation undertaking in relation to Whyte and Mackay until the date of Completion (or the date, if any, on which the SPA terminates). This obligation on the Company is set out in a comfort letter dated May 9, 2014 from the Company to Emperor UK Limited which, *inter alia*, also obliges the Company to issue this Notice and Explanatory Statement and to make the application to the RBI referred to at paragraph 22 below.

Security of Supply

20. The Company has entered into a supply agreement with Whyte and Mackay Limited for the supply of maturing malt and grain Scotch whisky, new fillings malt and grain spirit, and blended Scotch whisky until June 30, 2017.
21. The Company is also currently negotiating the detailed terms of a proposed long-term agreement with Diageo for the supply of Scotch whisky and associated services, intended to come into effect after expiry of the above supply agreement with Whyte and Mackay Limited. This proposed contract will be on arm's length terms and will be subject to satisfaction of certain conditions, including approval by the Board and the board of directors of Diageo, receipt of all requisite regulatory approvals and registrations and receipt of any necessary shareholder approvals. Diageo has confirmed its commitment to enter into this proposed long-term supply contract, subject to final negotiations of the detailed contract terms and to satisfaction of the various conditions. The Board believes that the above supply agreement with Whyte and Mackay Limited and the proposed agreement with Diageo (once the same is executed and the various conditions thereunder satisfied) will give the Company access to adequate volumes of scotch whisky and associated services reasonably necessary to meet its foreseeable requirements for the medium and long-term.

Effect of Proposed Transaction

22. The Proposed Transaction would have the following key financial effects on the Company:
- (i) USGBL would utilise the proceeds of sale arising from the Proposed Transaction to repay in full the Refinanced Acquisition Facility (together with interest) and associated costs of the Proposed Transaction. This has the important effect of reducing USL's consolidated gross debt by approximately £370 million and its overall gross debt/ EBITDA multiple from 6.61 to 3.40. This is derived on the basis of the audited consolidated EBITDA (as the constant denominator), the audited consolidated gross debt for the year ended March 31, 2013, and the unaudited consolidated gross debt for the year ended March 31, 2014 (adjusted for the prepayment of the Refinanced Acquisition Facility). The Board notes that the Refinanced Acquisition Facility is due for repayment on March 12, 2015. If the Company is unable to complete the Proposed Transaction and consequently, is unable to refinance or repay the Refinanced Acquisition Facility prior to the due date, there could be an adverse impact on the Company and its performance;
 - (ii) the repayment of the Refinanced Acquisition Facility would result in significant savings in interest, which should eventually result in a significant improvement in the consolidated EPS. The interest charge on account of the Refinanced Acquisition Facility was approximately Rs. 308.3 crores for the year ended March 31, 2013 and approximately Rs. 332.8 crores for the year ended March 31, 2014;
 - (iii) the estimated aggregate net proceeds of sale are approximately £408 million. Note that the actual proceeds of sale could fluctuate depending upon the adjustments to be made through the Completion Accounts, pursuant to the SPA;
 - (iv) the net proceeds of sale will be insufficient to repay the Intra-USL Group Loan, the balance of which stands at approximately Rs. 4,793 crores as of March 31, 2014. The Company is required, pursuant to mandatorily applicable accounting standards, to impair its investment in USL Holdings Ltd, BVI by approximately Rs 2.2 crores and provide for the Intra-USL Group Loan to the extent of Rs. 4,652 crores to be further netted off by a write-back from foreign currency translation reserves of Rs. 963.9 crores as of March 31, 2014. This will result in a reduction of the Company's net worth by an amount of Rs. 3,690.3 crores. Subject to prior approval of the RBI, as described below, the Company will be required to write-off a similar amount of the Intra-USL Group Loan and its investment in USL Holdings Ltd, BVI upon completion of the Proposed Transaction. Note that the actual amount of the write-off may fluctuate depending

upon factors including the timing of Completion, interest on the Refinanced Acquisition Facility, the actual amount of the adjustments required to be made through the Completion Accounts pursuant to the terms of the SPA and exchange rate fluctuations;

- (v) due to the provisioning as set out above and its consequent impact upon the net worth of the Company, the Board may be required to file a report in relation to the Company under Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985. However, the Board believes this report, if required, would arise as a technical requirement under the Sick Industrial Companies (Special Provisions) Act, 1985 due to the exceptional and one-time write off and does not reflect upon the long term prospects of the Company;
 - (vi) the Company is required to seek approval of the RBI in respect of the write-off in respect of the Intra-USL Group Loan, pursuant to the Master Circular on Direct Investment by Residents in Joint Venture (JV) /Wholly Owned Subsidiary (WOS) Abroad issued by the RBI and dated July 1, 2013 and the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004, as amended from time to time. The Company will make an application to the RBI in this regard shortly.
23. The Board, which has received an opinion from Morgan Stanley & Co. International plc, considers that the Enterprise Value is fair from a financial point of view to the Company.
24. Considering the potential consequences of the OFT Decision as described in paragraphs 11, 12 and 13, and taking into account the nature and extent of the Sale Process, the Board is of the view that the Proposed Transaction represents the most compelling commercial response to the OFT Decision by the Company, and is in the interest of the Company and its shareholders as a whole.

Recommendation

25. Accordingly, the Board recommends the passing of the Special Resolution contained in the accompanying notice.
26. Mr. P.A. Murali is a director of Whyte and Mackay and USGBL.
27. Except as mentioned above, none of the directors, key managerial personnel or their relatives are concerned or interested in the Special Resolution. Further, none of the directors are concerned or interested in the Proposed Transaction for the purpose of Section 184(2) of the Companies Act, 2013.

Reasons for which the Proposed Transaction requires the approval of the Company's shareholders

28. In terms of Section 180 of the Companies Act, 2013, shareholders' approval is required by a company to sell, or otherwise dispose of the whole or substantially the whole of the undertaking of the company. An undertaking is amongst other things defined to mean an undertaking in which the investment of the company exceeds 20% of its net worth as per the audited balance sheet of the preceding financial year. Whyte and Mackay is an indirectly held wholly owned subsidiary of the Company and given that the investment of the Company in Whyte and Mackay exceeds 20% of its net worth as per the audited balance sheet of the preceding financial year, the divestment of Whyte and Mackay requires shareholders' approval under Section 180 of the Companies Act, 2013. The approval of the shareholders of the Company is accordingly being sought for the Proposed Transaction.
29. As set out in paragraph 5, Diageo and Relay have made an open offer to the public shareholders of the Company under the Takeover Regulations. In terms of Regulation 26 (2) of the Takeover Regulations, during the offer period of an open offer, the target company (or any of its subsidiaries) is prohibited from selling or otherwise alienating its material assets or entering into any agreement therefor outside the ordinary course of business without the approval of its shareholders by way of special resolution by postal ballot. Given that Whyte and Mackay is a material asset of the Company, the Company is seeking the approval of the shareholders for the Proposed Transaction.

By order of the Board
For United Spirits Limited

Place : Bangalore
Date : May 09, 2014

V.S. Venkataraman
Company Secretary

Encl.:

- 1. Postal ballot form
- 2. Self addressed and prepaid postage envelope