UNITED SPIRITS

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

Date: April 25, 2015

National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai 400 051
Scrip Code: MCDOWEL-N

Dear Sirs,

Re: Notice under clause 36 of the Listing Agreement

As required by clause 36 of the Listing Agreement, this is to inform you about the outcome of the Board Meeting held on April 25, 2015 in relation to the inquiry into certain matters referred to in the Company's financial statements and auditor's report for the financial year ended 31 March 2014, details of which are provided below.

Background

As mentioned in the notice to the stock exchanges dated 4 September 2014, the board of directors of the Company (the "**Board**") had directed an inquiry into certain matters referred to in the Company's financial statements and auditor's report for the financial year ended 31 March 2014.

Pursuant to the directions of the Board, the inquiry was headed by the MD&CEO of the Company, who was appointed as CEO in May 2014 and as MD in August 2014. Certain independent advisers and specialists, in addition to the Global Risk & Compliance and Global Legal teams of Diageo plc ("**Diageo**"), were engaged to assist with certain aspects of the inquiry and also to provide inputs and expert advice in connection with the matters covered under the inquiry.

The inquiry has now concluded and the MD&CEO has submitted his report, taking into account the inputs and expert advice of the independent advisers and specialists, to the Board.

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Outcome of Board Meeting and Steps Taken

At its meeting held on 25 April 2015, the Board discussed and considered in detail the report submitted by the MD&CEO in relation to the inquiry, the inputs and expert advice of the independent advisers and specialists and communications received from concerned directors.

The inquiry covered various matters, including certain doubtful receivables, advances and deposits. In this regard, the inquiry revealed 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. The diverted amounts were included in the provision made by the Company in the financial statements for the year ended 31 March 2014 (see provision for doubtful receivables, advances and deposits under Note 26(a) to the standalone financial statements, and Note 35(a) to the consolidated financial statements for the year ended 31 March 2014).

The inquiry prima facie revealed that between 2010 and July 2013, certain transactions entered into on behalf of the Company appear to have been undertaken to show a lower exposure of the Company (and its subsidiaries) to United Breweries (Holdings) Limited ("**UBHL**") than that which actually existed at the relevant time, i.e., prior to July 2013. All of the dues owing to the Company and its subsidiaries from UBHL aggregating Rs. 1,337 crores on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL (*see* Note 26(b) to the standalone financial statements and Note 35 (b) to the consolidated financial statements for the year ended 31 March 2014).

The inquiry also suggests that the manner in which certain transactions were conducted, *prima facie*, indicates various improprieties and legal violations.

The Board is not in a position to make any final determinations with regard to the roles of any individuals involved. The Board has therefore directed that the Company report such transactions to the authorities as required under applicable law. Further, pursuant to the Board's directions, a copy of the inquiry report, including the inputs and expert advice of the independent advisers and specialists, as well as the communications received from concerned directors are being provided to the Company's auditors.

In connection with the recovery of the Company's funds that were diverted from the Company, the Board passed a resolution that the Company should take the necessary steps to pursue all rights and claims against, and expeditiously recover its dues from, the relevant parties to the extent possible.

In light of the above, and without making any determination as to fault or culpability, the directors noted that they had lost confidence in Dr. Vijay Mallya continuing in his role as a director and as chairman and therefore, the Board called upon Dr. Mallya to resign forthwith as a director and as the Chairman of the Board and step down from his positions in the Company's subsidiaries.

In the event Dr. Mallya declines to step down, the Board also resolved that it would recommend to the shareholders of the Company, the removal of Dr. Mallya as a director and as the Chairman of the Board.

As previously announced by Diageo (the majority shareholder in the Company) following the re-appointment of Dr. Mallya at the Company's annual general meeting on 30 September 2014, Diageo has

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contractual obligations to support Dr. Mallya continuing as non-executive director and chairman of the Company subject to certain conditions. Therefore, in the event Dr. Mallya declines to step down, the Board resolved to request Diageo to expeditiously review the position in relation to its contractual obligations and authorised sharing with Diageo a copy of the inquiry report and all the materials relating to the Company's inquiry.

In respect of the other employees of the Company who appear to have been involved in certain transactions covered by the inquiry, the Board directed the MD&CEO to initiate necessary internal proceedings in accordance with the applicable rules and policies of the Company.

While noting that the control systems of the Company have been strengthened after July 2013, the Board directed the Company's management to continue with the development and strengthening of the robust controls environment that is currently underway to prevent such transactions from occurring in the future.

Following its review of the inquiry report, the Board reaffirmed its commitment to the highest standards of corporate governance and resolved that the Company would cooperate with all relevant authorities in relation to these matters.

Yours faithfully

For United Spirits Limited
Anand Kripalu
Managing Director

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