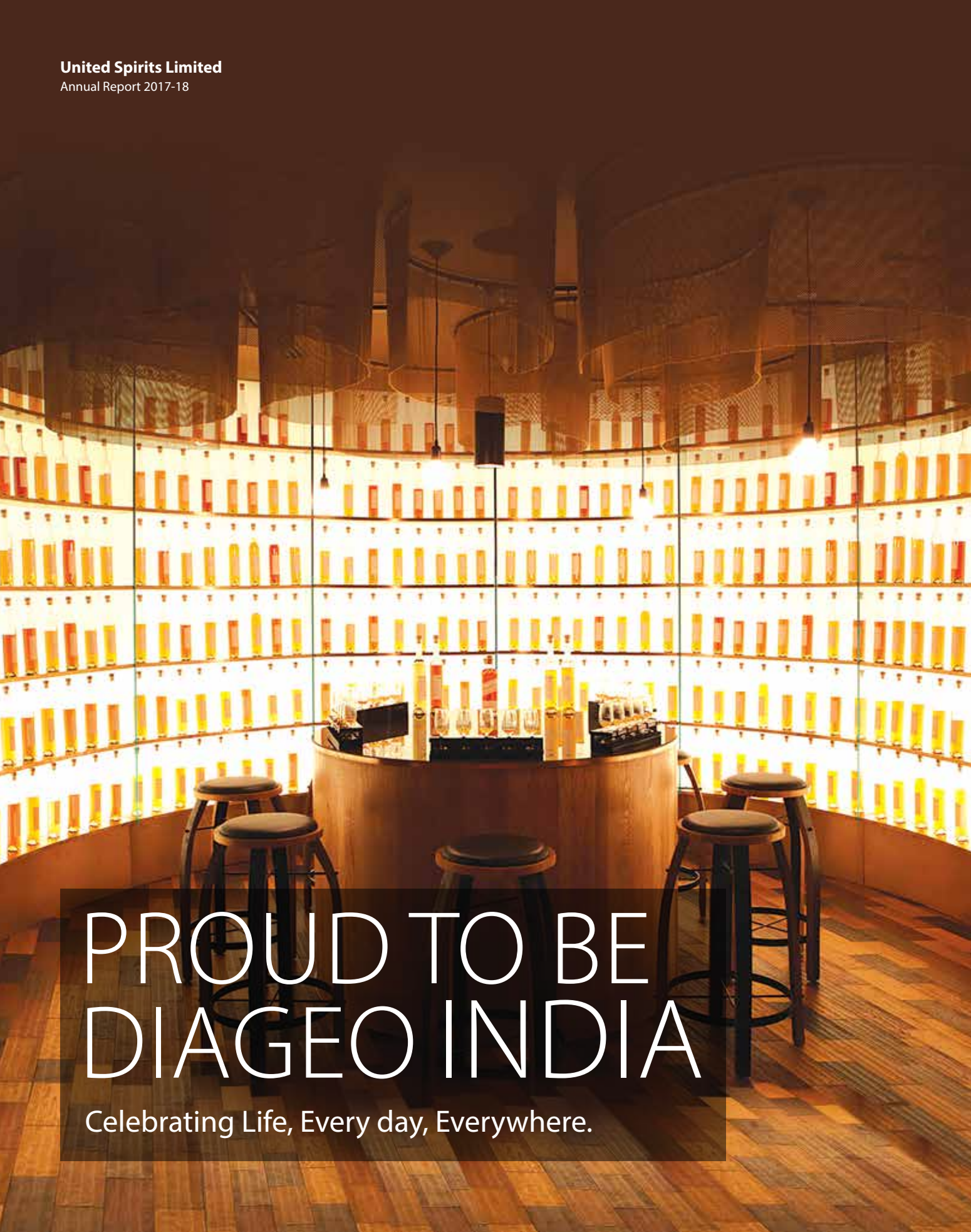


PROUD TO BE DIAGEO INDIA

Celebrating Life, Every day, Everywhere.

Executive Committee

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Prathmesh Mishra
Chief Commercial Officer

Amrit Thomas
Chief Marketing Officer

Abanti Sankaranarayanan
Chief Strategy & Corporate Affairs Officer

Steve Correa
Chief Human Resources Officer

Kedar Ulman
Chief Supply Chain Officer

Mamta Sundara
General Counsel

Executive Vice President and Company Secretary

V. Ramachandran

Auditors

Price Waterhouse & Co. Chartered Accountants LLP
(Registration No.: 304026E/E-300009)
5th Floor, Tower 'D', The Millenia,
1 & 2 Murphy Road, Ulsoor, Bengaluru - 560 008
Tel: 080 4079 5000

Registered & Corporate Office

"UB Tower", #24, Vittal Mallya Road,
Bengaluru - 560 001

Registrars & Transfer Agents

Integrated Registry Management Services Private Limited
30, Ramana Residency, 4th Cross,
Sampige Road, Malleswaram,
Bengaluru - 560 003
Tel: 080 2346 0815 to 818
Fax: 080 2346 0819

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CHAIRMAN'S MESSAGE



We will continue to work closely with all stakeholders, including the State and Central governments, to script a faster growth for your Company. We are determined to make India the crown jewel for Diageo.

Dear Shareholders,

We stand today at a milestone moment in our journey. It marks the completion of five years of Diageo in India and a business transformation that has been remarkable in many ways.

Board of Directors



Anand Kripalu
Managing Director & Chief Executive Officer



V. K. Viswanathan
Independent Director



Rajeev Gupta
Independent Director



D. Sivanandan
Independent Director

As we look back at the last five years, I am proud to see the performance turnaround of Diageo India. Our strategy into execution is making us better and stronger, taking us closer to our vision of becoming the country's best performing, most trusted and respected consumer goods company.

What I am delighted by is that we have achieved this despite multiple challenges faced by India's beverage alcohol industry. The Supreme Court's highway ban, GST implementation and the uncertainty caused by route to market changes in certain states this year, disrupted the industry. However, these big changes are now behind us, ushering in what we believe will be a more stable environment next year.

The rigid limitations on pricing freedom of our products across most States continues to be a dampener on our performance even though we seek to mitigate the challenge by judicious cost control.

The foundation for the next phase of Diageo India's performance trajectory is strong. However, we still need to resolve several legacy issues to achieve our true potential, reduce our financial leverage by repaying interest bearing debt by disposal of non-core/surplus assets. We will continue to work closely with all stakeholders, including the State and Central governments, to script a faster growth for your Company. We are determined to make India the crown jewel for Diageo.

I look forward to your continued support as we take big strides towards profitable and socially responsible growth in the coming years.

Yours sincerely,

Mahendra Kumar Sharma
Chairman



Dr. (Mrs.) Indu Shahani
Independent Director



John Thomas Kennedy
Non-Executive Director



Sanjeev Churiwala
Executive Director &
Chief Financial Officer



Vinod Rao
Non-Executive Director



Randall Ingber
Non-Executive Director

MD & CEO'S MESSAGE



Reducing the harm caused by irresponsible consumption of alcohol and making a positive contribution to society is core to our business. Consequently, we continued to invest in being a transformative force towards improving Road Safety in India.

Dear Shareholders,

I am pleased to present our Annual Report for FY 2017-18. In a year of extraordinary changes – the highway ban, alcohol exclusion in GST and its fall-out and the uncertainty caused by expected route to market changes in many states – we have delivered strong financial performance.

This is a validation of the strategic direction we set out four years ago following the acquisition by Diageo. It is also a testimony to the strong capabilities we have built over the years, as well as the quality of talent now in the Company.

Improving financial performance

Despite several regulatory challenges impacting the industry last year, we posted improvement in our performance, underlined by growth in net sales after adjusting for operating model changes. We delivered a significant enhancement of Gross Margins, made possible through mitigation of the GST risk through policy advocacy, a relentless focus on productivity and realization of headline pricing.

I am happy to share that this year has been strong in terms of pricing, a major challenge for our industry in India. Effective engagement between the industry and state governments led to absolute pricing gains across 18 states, signifying early signs of a larger policy shift on pricing that we hope to build on, in the years to come.

With our sustained efforts on reducing interest costs and monetising non-core assets, we secured a 23% increase in PAT for the year. I am pleased to share that the long-term credit rating of your Company has been upgraded to AA+ by CRISIL and ICRA, a further vote of confidence in the strategic direction, operating performance and financial discipline of your Company.

Strengthening the operational focus

Our performance has been driven by our focus on the Prestige and Above segment, aimed at driving premiumisation of our product mix in line with the evolving preference of consumers. Our premiumization efforts have started yielding results, with the Prestige and Above segment accounting for 63% of our net sales by value, up 5 pts compared to last year.

We have created a new category of Prestige Rum with Captain Morgan – which in its very first year has received an overwhelming response. The success of our brand renovations, including McDowell's No. 1 whisky, Royal Challenge and Signature, along with continued investment in focus brands helped the growth of our Prestige and Above brands.

Parallelly, we made further progress on our 'fit for purpose' operating model in the Popular segment, where we franchised nine additional states in FY18, taking the total number of franchisee states to 13.

Despite the turbulent year, we increased our marketing investments by 18% to better engage with consumers and build brand equity.

Our role in society

Reducing the harm caused by irresponsible consumption of alcohol and making a positive contribution to society is core to our business. Consequently, we continued to invest in being a transformative force towards improving Road Safety in India.

We are seen as a genuine contributor to this cause, and I am pleased to say that this year, we have seen more and deeper partnership from state governments, traffic police, enforcement agencies, media and reputed not-for-profit organizations. Our flagship programme, 'Diageo NDTV Road to Safety', in its 4th year reached over 3 million viewers. We also organized a national Road Safety Workshop with our global partner, The United Nations Institute for Training and Research (UNITAR). We invited our global responsible drinking ambassador and two-time Formula 1 Champion, Mika Hakkinen, to India for #JOINTHEPACT, a Johnnie Walker The Journey initiative, which attracted over 2 million pledges to #NeverDrink&Drive.

Diageo is committed to minimising the environmental impact across its operations. We are proud of the progress we are making on Key Performance Indicators (KPI) towards our environmental initiatives. Our achievements in India include reducing carbon emission by 68%, improving water conservation by 55% and recycling 95% of solid waste, compared to when we began this journey in 2007.

Building a talented, diverse and inclusive workplace

At the core of our business strategy is our commitment to enable employees to 'be the best they can be.' We support our employees through empowering policies, competitive reward programmes, coaching and wellbeing initiatives. Indeed, our achievements in this challenging year bear testimony to the quality of talent in the Company, our growing reputation as an employer, and our focus on leadership development.

We have striven hard to build a diverse and inclusive workplace in India and I am happy to report that our efforts are bearing fruit. The alcobev industry, due to its inherent nature, is not a natural choice for women. At Diageo India, we treat diversity goals with the same intensity as our financial goals. Women's representation in our workforce rose to 10% in March 2018, compared to 7.5% in 2015 with women occupying critical roles in sales, marketing, research and development, innovation, human resources and finance.

Proud to be Diageo India

3 years ago, when we started our transformation journey, we aimed to make your Company one of India's best performing, most trusted and respected consumer goods companies in India. I am pleased to report the significant progress we have made towards reaching our goal.

On this note, let me conclude by saying that we are more than ready to embrace the opportunities of tomorrow and to map the next phase of our journey.

Thank you for standing by us in this spirited journey!

Yours sincerely,

Anand Kripalu
Managing Director and CEO

PROUD TO BE... PART OF DIAGEO

Diageo is a global leader in beverage alcohol, with an outstanding collection of brands across spirits and beer.

Diageo's products are sold in more than 180 countries around the world.

The brands include Johnnie Walker, Crown Royal, J&B, Buchanan's and Windsor whiskies; Smirnoff, Ciroc and Ketel One vodkas; Captain Morgan; Baileys; Don Julio; Tanqueray and Guinness.

Diageo's performance ambition is to be the best performing, most trusted and respected consumer products company in the world.

Diageo is commited to tackling alcohol misuse and believes that when consumed in moderation and responsibly alcohol can be a part of a balanced lifestyle. This philosophy is central to Diageo's purpose to celebrate life every day, everywhere.

BRANDS Net sales growth

Global Giants, Local Stars and Reserve in growth

Johnnie Walker ↑5%	Baileys ↑6%	Captain Morgan ↑2%	Tanqueray ↑15%
Guinness ↑5%	Black & White ↑33%	Shui Jing Fang ↑63%	Don Julio ↑39%

CATEGORIES Net sales growth

Scotch ↑2%	Gin ↑16%
Beer ↑4%	Tequila ↑40%



PERFORMANCE

Strong performance reflects consistent and rigorous execution of strategy

Organic volume growth	Organic net sales growth
↑2.5%	↑5%

REGIONS Net sales growth

All regions delivered volume and net sales growth

North America	Europe and Turkey	Africa	Asia Pacific	Latin America and Caribbean
↑4%	↑4%	↑3%	↑9%	↑7%

PROUD TO BE…
DIAGEO INDIA



We are India's leading beverage alcohol company with an outstanding portfolio of premium brands. We are a high-performing business that is sensitive to consumer, community and societal needs. We are proud of being a responsible producer and marketer of beverage alcohol, and we champion responsible consumption as part of a balanced lifestyle.



No. 1
Spirits Company in India



2nd
Largest Spirits Company in the world



₹81,701mn
Net revenue



₹10,215mn
EBIDTA



₹1,99,978mn
Contribution to the exchequer



78.5mn
Cases produced



AA+
Credit rating



₹38.65per share
EPS up 231%



9,000
Direct employment



11%
Gender diversity



3.35mn
People benefited from our sustainability efforts



55%
Reduction in water usage

(Figures for FY 2017-18)
(Underlying movement excludes the one-off impact of operating model changes and one-offs)

PROUD OF...
OUR EXCEPTIONAL PORTFOLIO AND ICONIC BRANDS




McDowell's
No1
ORIGINAL
ROYAL
WHISKY
Antiquity
BLUE
Signature
RARE AGED WHISKY
SMIRNOFF
VODKA
CÎROC
VODKA
5
WHITE
MISCHIEF
ULTRA PURE VODKA

PROUD TO BE…
PART OF CELEBRATIONS



We take pride in joining our consumers as they celebrate special occasions, big and small. And our brands make these special moments memorable through high quality and unique experiences. Our marketing brings our brands into relevant consumer occasions, and brand purpose to popular culture.



Mega brand celebrates 'Yaari' like never before

The country's largest spirit brand by consumer spend - 'McDowell's No. 1' celebrated the bonds of friendship through the '**No1YariJam**' musical extravaganza - a multi-city, multi-lingual campaign that reached 90 million people. During the holiday season, the brand championed 'Don't Drink & Drive' through the #JoinThePact campaign, which garnered 6.5mn pledges to never let their `yaars' (friends) drink and drive.



Purpose-led Marketing Campaigns

The **Signature StartUp Masterclass** mentor series featured 14 new successful entrepreneurial people, who shared their inspirational passion-to-paycheck stories in a multi-city tour.



Captain Morgan storms IPL – and the market!

Captain Morgan became the new **'fun' captain** of our IPL team, **Royal Challengers Bangalore**, and hijacked the IPL season through fun and memorable key match moments, in stadium, at city bars, and inside alcohol-selling shops. And in the market, the Captain won over consumers and trade, notching up over 3,60,000 cases in the year, well on its way to be the #1 Rum in the country!



Royal Challenge Fans Play Bold

During the IPL season, our key brand asset, Royal Challengers Bangalore, was brought alive in stadiums, stores and cities with **RC Bold League**. Consumers had the opportunity to experience the brand and win a chance to play against RCB players. Cricket and entertainment were combined through musical events and parties that helped create a unique link to the RC brand.



Painting the World Black with Johnnie Walker

India's favourite Scotch whisky brand, Johnnie Walker Black Label, took over the most happening bars, society weddings and high-end stores during the year. The iconic **Striding Man**, a symbol of Progress around the world, was seen at over 250 high-visible spots around Delhi, Mumbai and Bengaluru!

PROUD TO…
DRIVE PRODUCTIVITY AS FUEL FOR GROWTH



An organisation-wide focus on taking out costs emerged as a powerful contributor to profitable growth and enhanced margins in the year. The savings were invested back into building our brands to create competitive advantage and win in the marketplace.



Efficiencies in Manufacturing and Supply Chain

Waste reduction, deployment of Diageo's manufacturing excellence programme and operational analytics enabled a saving of ₹ 300 crore in manufacturing and distribution costs during FY18.



Deleveraging Debt to Lift Shareholder Value

Through sustained and focussed efforts over the last five years, we have reduced our debt by 70% - from ₹ 8,500 crore to ₹ 3,000 crore. Debt portfolio diversification, and issuance of commercial papers and non-convertible debentures, together contributed a significant 30% reduction in interest costs.



Improved Credit Ratings

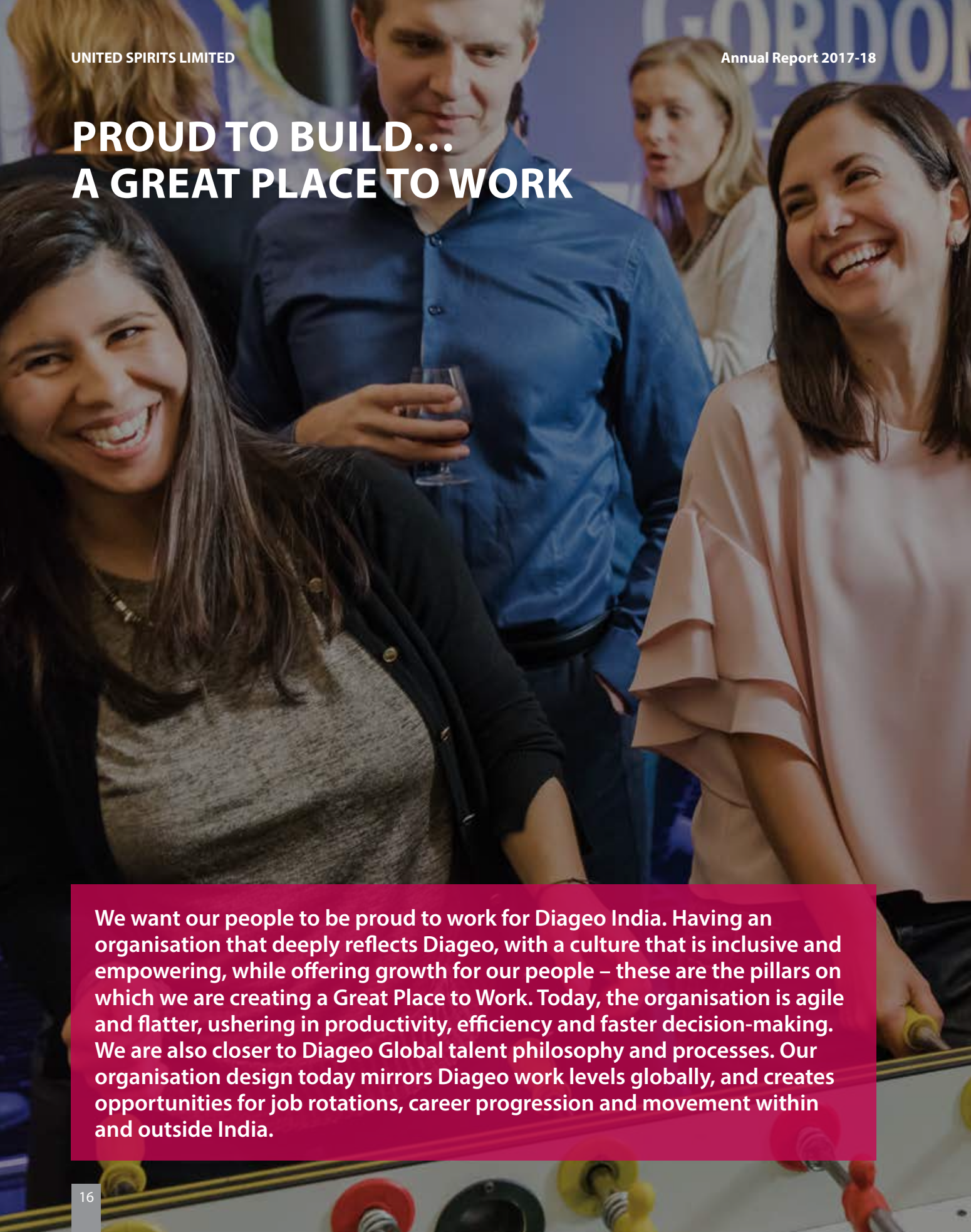
Our long-term credit rating received a further boost with an upgraded AA+ by CRISIL and ICRA, as a result of greater efficiencies, operating performance and financial discipline. This will help reduce interest costs in the future.



Transitioning to GST

We effectively managed the GST transition without business disruption – moving seamlessly from transition to compliance to significant mitigation through policy advocacy, relentless focus on productivity and realisation of headline pricing.

PROUD TO BUILD…
A GREAT PLACE TO WORK



We want our people to be proud to work for Diageo India. Having an organisation that deeply reflects Diageo, with a culture that is inclusive and empowering, while offering growth for our people – these are the pillars on which we are creating a Great Place to Work. Today, the organisation is agile and flatter, ushering in productivity, efficiency and faster decision-making. We are also closer to Diageo Global talent philosophy and processes. Our organisation design today mirrors Diageo work levels globally, and creates opportunities for job rotations, career progression and movement within and outside India.



Scoring on Employee Engagement

Our improved score in the Diageo Global Value Survey is a strong testimony of the progress we have made. Our Employee Engagement score has improved by +5% to 79%, exceeding the Diageo global engagement score and ranking 2nd highest across markets. Over 83% employees feel proud of the organisation, its business and its contributions to the society.



Leadership Development

We have a culture of learning, and we invest in development and training programmes to help build leadership capabilities. Every person in our 50-member senior leadership team has undergone, or is undergoing, leadership coaching to unleash their potential as inspirational leaders.

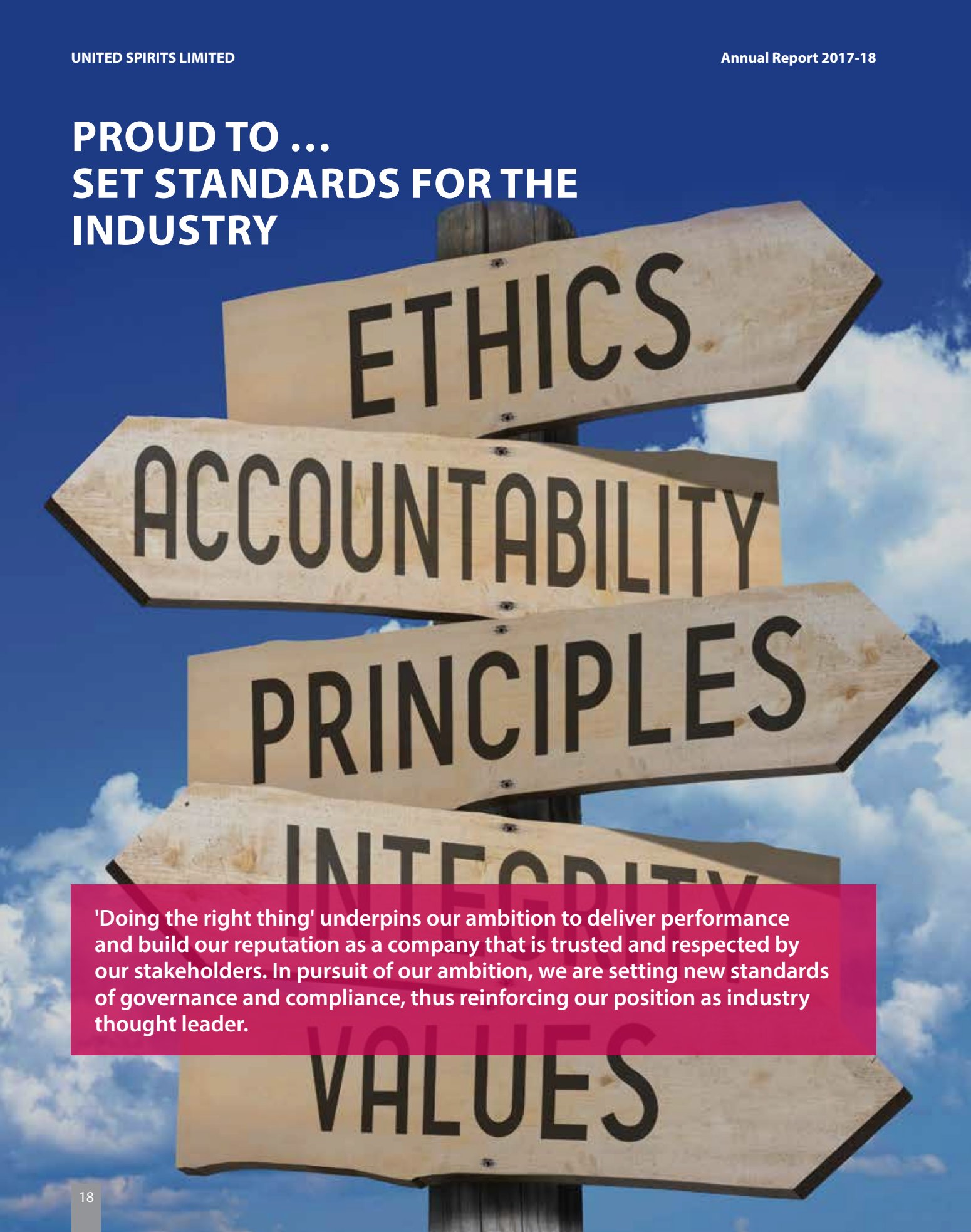


Big Strides Towards Gender Diversity

Celebrating our inclusive and diverse culture is central to Diageo's purpose of 'Celebrating Life Every day, Everywhere'. Diageo is recognised globally for its gender diversity - it is ranked 5th in the Thomson Reuters Global Diversity and Inclusion Index, and has a leading position in the FTSE 100 for representation of women on boards.

In India, we have made major progress towards gender diversity - 3 out of 8 Executive Committee members, 24% of the top 50 leaders, and 11% of our total employee pool are women. This is significant when compared with 5 years ago, when there were no women in the Management Committee and only 7.5% in the total management. In FY18, we reached some important milestones on diversity. We have India's first female head of a Bottling Unit in Nimapara, Odisha, a Unit HR Head at our Baramati unit and a woman leader from defence background for our Canteen Stores Department (CSD) business.

PROUD TO ...
SET STANDARDS FOR THE INDUSTRY

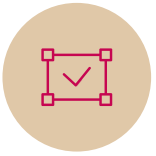


'Doing the right thing' underpins our ambition to deliver performance and build our reputation as a company that is trusted and respected by our stakeholders. In pursuit of our ambition, we are setting new standards of governance and compliance, thus reinforcing our position as industry thought leader.



Government and Industry as Partners

There has been a significant shift in the relationship between Government and the Industry – with deeper understanding of industry dynamics, policymakers' perspectives and the symbiotic relationship between industry and state Excise. Data and evidence-based policy advocacy and programmes that help tackle alcohol misuse have helped build partnership with state governments to shape policy changes for our industry.



Strengthening our Compliance Framework

As a responsible marketer of beverage alcohol, we continue to maintain the highest standards of governance and compliance. During the year, we extended the Diageo India Whistleblower system – SpeakUp – to all stakeholders. Of the 95 reported breaches, 71 cases which were in the nature of compliance and ethics issues, were investigated and remedial action taken.



Embedding Compliance within the Organisation

The Code of Business Conduct and Ethics (COBCE), our annual compliance certification programme, covered 2,114 employees, including over 200 new joinees, during the year. We initiated Diageo's Know Your Business Partner (KYBP) Due Diligence Programme to manage risks resulting from doing business with third parties. All business partners have been trained and informed about the company's compliance policy, specific to Bribery and Corruption.

PROUD TO…
BE A FORCE FOR GOOD IN OUR LOCAL COMMUNITIES



Our geographic footprint across 58 manufacturing units means that we touch the lives of many people who live around these sites. We believe that creating thriving communities, that are excited to have a Diageo manufacturing facility in their proximity, is the best way to future-proof our business. Our sustainability agenda spans our entire value chain – from within the factory gates to the communities in which we operate.



Reducing Water Consumption

The installation of water recycling facility and rainwater recharging systems in our owned plants has helped reduce water consumption inside our factories by over 55% since 2017. We have also achieved a 100% return of safe waste water to the environment at our factories.



Conserving the Environment

Our focus on reducing usage of fossil fuel and its replacement with biomass has led to a 68% reduction in annual carbon emission since FY07. Currently, over 95% of the solid waste generated at our facilities is recycled back, and 100% of the hazardous waste is handed over to authorised recyclers.



Empowering Women through Access to Water

As part of 'Project SHE', we undertook desilting of ponds and canals, as well as restoration of dams, to recharge depleting groundwater in the villages near our manufacturing plants in Udaipur, Alwar and Rosa, benefiting 35,000 villagers. Over 50,000 villagers from Amala village in Bhopal, and Kamptee, Mauda and Nagpur taluka of Maharashtra, benefited from installation of solar-operated community RO water system

PROUD TO…
BE A NATIONAL CATALYST FOR ROAD SAFETY

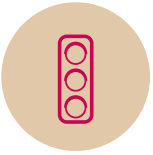


As the country's leading premium drinks business, we want to be at the forefront of industry efforts to promote responsible drinking and reduce the harmful use of alcohol. Our flagship national programme 'Diageo Road to Safety' aims to address Drink Driving and to promote the broader cause of Road Safety. We collaborate with the Federal and state governments, not-for-profit organizations, Universities and law enforcement to champion Road Safety.



Four 'Es' of Road Safety

Diageo 'Road to Safety' is built on 4 pillars – Education, Enforcement, Engineering and Emergency Services.



Capacity Building for Traffic Management

Our capacity building programme, in collaboration with the Institute of Road Traffic Education (IRTE) and over 15 state governments, is currently in its 4th year of implementation. This year, over 400 traffic police officials from 8 cities were provided capacity building training in road safety, misuse of alcohol, enforcement of drunken-driving offences, and use of alcohol breath analyzers.



Awareness Campaign Reaches 3mn Viewers

Year 4 of the highly visible 'Diageo-NDTV Road to Safety' media campaign was launched by the Union Minister for Road Transport, Highways and Shipping, Mr. Nitin Gadkari. This year, the campaign amplified positive case studies on road safety, commendable work of Good Samaritans and highlighted issues relating to road infrastructure. The campaign reached 3 million people through broadcast, on-ground and social media.



Youth Mobilization for over 20,000 Students

Our University partnerships have helped us reach and educate 20,000 students. We partnered with IITs, BITS Pilani and Osmania universities across New Delhi, Mumbai, Goa, Bhopal, Roorkee, Indore to educate students on Road Safety. Through panel discussions, competitions, case studies and marathons, students are made aware of road safety issues and urged to contribute on how to make our roads safer, through meaningful recommendations.



Bringing Global Expertise to Make Indian Roads Safer

Together with the United Nations Institute for Training and Research (UNITAR), we conducted a high-impact national Round Table on Road Safety. At the event, Indian and international experts, government and civic officials, law enforcers, educators, business and corporate leaders deliberated on solutions, and shared best practices and learnings that will help address the issues of road safety in India.

STATUTORY REPORTS

REPORT OF THE DIRECTORS

Dear members

Your Directors are pleased to present the 19th Annual Report of your Company and the audited financial statements for the year ended March 31, 2018.

1. Financial Results

INR in Million

Particulars	Standalone		Consolidated	
	2017-18	2016-17	2017-18	2016-17
The working of your Company for the year under review resulted in				
Profit / Loss from operations	9,664	7,131	11,486	7,194
Exceptional and other non-recurring items	(90)	3,262	445	3,681
Less:				
Depreciation	1,351	1,323	1,923	1,886
Taxation (including deferred tax)	2,786	847	2,599	697
Profit / (Loss) after tax	5,617	1,699	6519*	930*
Profit B/F from previous year	(40,324)	(42,590)	(45,248)	(46,815)
Minority Interest appropriation	-	-	(181)	71
Foreign Currency Translation Reserve Considered separately	-	-	71	29
Total Comprehensive Income	83	499	17	468
Transfer between reserves	-	68	-	68
Profit / (Loss) available for appropriation	(34,624)	(40,324)	(38,802)	(45,248)
Your Directors have made the following appropriations:				
General Reserve	-	-	-	-
Dividend paid in respect to previous years	-	-	-	-
Proposed dividend	-	-	-	-
Corporate Tax on Proposed Dividend	-	-	-	-
Corporate Tax on Dividend paid	-	-	-	-
Balance carried to the Balance sheet	(34,624)	(40,324)	(38,802)	(45,248)
EPS–Basic & Diluted (Rupees)	38.65	11.69	44.68	7.06

* Excluding minority interest

REPORT OF THE DIRECTORS *(CONTINUED)*

1.1 Subsidiary Companies

In accordance with section 129(3) of the Companies Act, 2013, ('Companies Act') a statement containing salient features of the financial statements of the subsidiary companies in Form AOC-1 is provided as **Annexure - 1** to this report.

In accordance with the third proviso to section 136(1) of the Companies Act, 2013 the annual report and financial statements of each of the subsidiary companies have also been placed on the website of the Company www.diageoindia.com

2. Board's Responses to Observations, Qualifications and Adverse Remarks in Auditor's Report

The Statutory Auditors have given unqualified opinion on the Financial Statements for the year ended March 31, 2018 and hence this is not applicable.

The Secretarial Auditor has given an unqualified opinion in the Secretarial Audit Report for the year ended March 31, 2018, and the Secretarial Audit Report is annexed as **Annexure - 3**.

3. Material Changes and Commitments/Events Subsequent to the date of the Financial Statements

The company has Sub-Divided 548,000,000 Equity Shares of Face Value of ₹10/- per Equity Share into 2,740,000,000 equity share of ₹2/- per Equity Share and also 1,200,000 Preference Shares of face value of ₹100/- per preference share into 12,000,000 preference shares of ₹10/- per preference share of the company subsequent to the end of the Financial Year 2017-18.

4. Change in nature of Business, if any

The details of change in nature of business is provided under Management Discussion and Analysis Report and the Report on Risk Management forms part of this Annual Report.

5. Dividend

In view of the accumulated losses of the preceding years, your directors could not recommend any dividend. No amount is proposed to be carried to reserves.

6. Capital

The authorized share capital of your Company remains unchanged however the Face Value of 548,000,000 equity shares of ₹10/- per share have been sub-divided into 2,740,000,000 equity shares of ₹2/- each and brought uniformity between two classes of preference shares resulting in 171,200,000 Preference Shares of ₹10/- each.

7. Performance of the Company

During the year under review, your Company has achieved a sales volume of about 78.5 million cases and this resulted in a decline of 13% compared to prior period (90 million cases previous year, that included volume from states where the Popular segment has been franchised). After adjusting for the franchise model changes, underlying volume declined 2% compared to prior period. Net sales/ income from operations of your Company declined 4% in the financial year ended March 31, 2018 and stood at INR 81,701 million net of duties and taxes (INR 85,476 million previous year). This was as a result of franchising our Popular segment in a few states. Adjusted for the operating model changes, net sales/income from operations grew 1% for the year. Sales volume of the Company's brands in the 'Prestige and Above' segment grew 1% in the financial year ended March 31, 2018 and stood at 37.2 million cases (previous year 36.8 million cases). Net sales of the 'Prestige and Above' segment grew 3% and stood at INR 51,280 million net of duties and taxes (previous year INR 49,660 million). The 'Prestige and Above' segment represented 63% of total net sales and 47% of total sale volume during the current year.

8. Details of Subsidiary Companies, Joint Ventures and Associate Companies and their Financial Position

Your Company currently has 18 subsidiary companies, the entire stake of the company in one of the subsidiary, viz., United Spirits Nepal Private Limited was sold during the Financial Year 2017-18. The information required under the first proviso to section 129(3) of the Companies Act, 2013 is given in form AOC- 1 in **Annexure - 1**. The Company's policy for determining material subsidiaries is available at Company's website www.diageoindia.com.

Performance of Associates, Subsidiaries and Joint Ventures and their contribution to overall performance of the Company is covered as part of the Consolidated Financial statements and in form AOC-1 in **Annexure - 1**, annexed and forming part of this Annual Report.

9. Prospects/Outlook

The details about prospects/outlook of your Company are provided under the Management Discussion and Analysis Report forming part of this Annual Report.

10. Depository System

The trading in the equity shares of your Company is under compulsory dematerialisation mode. As on

REPORT OF THE DIRECTORS *(CONTINUED)*

March 31, 2018, equity shares representing 99.02% of the equity share capital are in dematerialised form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail the facility of dematerialisation of the Company's shares. Moreover transfer of shares of the company will be allowed only if they are in dematerialization mode with effect from December 5th, 2018 as per SEBI's Notification dated 8th June, 2018.

11. Board Meetings, Board of Directors, Key Managerial Personnel & Committees of Directors.

11.1 A. Appointment, change in designation and resignation

Details on appointments, changes in designation, resignation of Directors, key managerial personnel, and Committees of Directors as well as on Board and Committee meetings of your Company and the matters required to be specified pursuant to sections 134, 177 and 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations) are provided in the Corporate Governance Report that is annexed to and form part of this Annual Report.

B. Re-appointment

As per the provisions of the Companies Act, 2013, Mr John Thomas Kennedy retires by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offered himself for re-appointment.

Members may please note that Mr John Thomas Kennedy, who is a nominee of Relay B V, was appointed as a Director at the 18th Annual General Meeting (AGM).

A brief profile of Mr John Thomas Kennedy is provided as an Annexure to the Notice convening 19th AGM.

C. Independent Directors and Nominee Directors

Your Company did not appoint any new Independent Director or Nominee Director in the Financial Year 2017-2018. Criteria for selection of Independent Directors include skills, expertise of the Director, qualifications, experience and domain knowledge.

D. Executive Director

Your company appointed Mr Sanjeev Churiwala as the Executive Director and Chief Financial Officer of the Company with effect from April 1, 2017.

E. Number of Meetings of the Board

The details of the Board Meetings and other Committee Meetings held during the financial Year 2017-18 are stated in the Corporate Governance Report which forms part of this Annual Report.

F. Board Committees

The Company has setup the following committees of the Board:

Audit and Risk Management Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and General Committee and Corporate Social Responsibility Committee.

The composition of each of the above Committees, their respective roles and responsibilities are provided in the Corporate Governance Report which forms part of this Annual Report.

G. Recommendations of the Audit and Risk Management Committee

All the recommendations of the audit and Risk Management Committee were accepted by the Board.

H. Details of remuneration to Directors

As required under Section 197(12) of the Companies Act, 2013 information relating to remuneration paid to Directors during the financial year 2017-18 is provided in the Corporate Governance Report and in form MGT 9, that is annexed to and forming part of this Annual Report as **Annexure-4.**

As stated in the Corporate Governance Report, sitting fees are paid to Non-Executive Directors for attending Board/Committee meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred in attending such meetings in accordance with the travel policy for Directors. In addition, the Non-Executive Directors are also eligible for commission every year as recommended by the Nomination and Remuneration Committee and

approved by the Board within the overall limit of 1% of the net profits of the Company calculated in accordance with Section 198 of the Companies Act, 2013 as approved by the shareholders at the AGM held on September 30, 2014. Criteria for payment of remuneration to Non- Executive Directors is as below:

1. Membership of Committees
2. Chairmanship of the Committees/Board
3. Benchmarking with other companies

The Company has paid commission of INR 20.2 million for the Financial Year 2017-18 to the Non-Executive Directors pursuant to the provisions of the Companies Act, 2013.

The criteria for payment of remuneration to executive directors is determined by the Nomination and Remuneration Committee which includes performance criteria.

I. Board Evaluation Criteria

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 of the SEBI (LODR) Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the Board Committees. The evaluation process considered the effectiveness of the Board and the committees with special emphasis on the performance and functioning of the Board and the Committees. The evaluation of the Directors was based on the time spent by each of the Board Members, their core competencies, expertise and contribution to the effectiveness and functioning of the Board and its Committees which was carried out through a peer feedback mechanism.

J. Vigil Mechanism

Your Company has a well-established vigil mechanism named as 'SpeakUp' in place, which is overseen by the compliance & ethics team. 'SpeakUp' is a confidential service available to employees to make a report of any breach of the code, policies or applicable laws. 'SpeakUp' is managed by an external agency with staff who are trained to deal with the calls and translators who are immediately available to assist if required. Access to the Chairman of the Audit Committee is provided in appropriate/exceptional cases, as required under the Companies Act, 2013 and the SEBI (LODR) Regulations. All complaints are investigated by the compliance and ethics team and appropriate action taken in accordance with your Company's policies.

K. Related Party Transactions

The Company's policy on dealing with related party transactions was adopted by the Board on June 15, 2015.

This policy has been amended from time to time and is available on the Company's website www.diageoindia. com.

All related party transactions that were entered into during the financial year, were at arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with promoters, directors, key managerial personnel or other designated persons which may have a conflict of interest with the Company at large.

The details of related party transactions required under section 134(3)(h) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 is given in form AOC-2 and the same is enclosed as **Annexure - 2**.

L. Meeting amongst Independent Directors

The Independent Directors met amongst themselves without the presence of any other persons on May 30, 2017 and July 23, 2017 respectively.

12. Auditors

Financial Audit

M/s. Price Waterhouse & Co. Chartered Accountants LLP (FRN 304026E / E-300009) Statutory Auditors of your Company, were appointed as Auditors of your Company from the conclusion of the 17th AGM for a period of 5 years. Since the appointment is not subject to ratification of the appointment by the members at every AGM, no resolution is proposed at this AGM pursuant to the provisions of Companies (Amendment) Act, 2017.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment

REPORT OF THE DIRECTORS *(CONTINUED)*

and Remuneration of Managerial Personnel) Rules, 2014, a Secretarial Audit has been carried out by Mr Sudhir V Hulyalkar, Practicing Company Secretary (FCS: 6137), and his report is annexed as **Annexure - 3**.

13. Listing of Shares of the Company

The equity shares of your Company continue to be listed with the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE). No Listing fees are due as on date.

14. Corporate Governance

A Corporate Governance Report is annexed separately as part of this report.

15. Management Discussion and Analysis Report

The Management Discussion and Analysis Report is annexed separately as part of this report.

16. Fixed Deposits

As reported in the previous year's annual report, your Company discontinued accepting fixed deposits from the public and shareholders effective January 1, 2014. In addition, pursuant to section 74(1)(b) of the Companies Act, 2013 the Board of Directors at their meeting held on August 1, 2014 decided to repay all fixed deposits maturing on or after March 31, 2015 by March 31, 2015 by paying additional interest of 1% per annum on those fixed deposits before the maturity date pursuant to the contract entered into with the Fixed Deposit holders. Fixed Deposits from the public and shareholders which remained unclaimed and for which no discharge certificates were received from the depositors as on March 31, 2018 stood at ₹ 80,36,000. This amount was transferred into a separate non-interest bearing escrow account opened specifically for the purpose of re-payment, has been re-paid consistent with the provisions of the Companies Act, 2013 and the rules made thereunder. Of this amount, a sum of ₹ 7,81,000 (as of June 30, 2018) has since been paid as per instructions received after the year end. The balance unclaimed fixed deposits continue to remain in the escrow account as on 30th June, 2018.

17. Extract of Annual Return

The extract of the Annual Return in Form MGT-9 is annexed as **Annexure - 4**.

18. Transfer to Investor Education and Protection Fund (IEPF)

The details of unclaimed/unpaid Dividends and Fixed Deposits which have not been transferred to the IEPF account as the period of seven years have not been completed is given below pursuant to the provisions of the Companies Act, 2013 and the applicable Rules there under.

Dividend:

Financial Year	No. of Members who have not claimed their dividend	Unclaimed dividend as on March 31, 2018 (Amount in INR)	Unclaimed dividend as % to total dividend	Date of declaration	Last date for claiming the dividend prior to its transfer to IEPF
2010-11	14,336	2,818,290.41	0.86	29-Sep-2011	4-Dec-2018
2011-12	16,331	3,102,085	0.95	25-Sep-2012	30-Nov-2019
2012-13	10,301	2,009,965	0.55	24-Sep-2013	29-Nov-2020
2013-14	-	Not applicable	-	Not applicable as no dividend was declared for the year 2013-14.	Not applicable
2014-15	-	Not applicable	-	Not applicable as no dividend was declared for the year 2014-15.	Not applicable
2015-16	-	Not applicable	-	Not applicable as no dividend was declared for the year 2015-16.	Not applicable
2016-17	-	Not applicable	-	Not applicable as no dividend was declared for the year 2016-17.	Not applicable

The number of Unclaimed equity shares transferred during the year ended 31st March, 2018 to Investor Education and Protection Fund pursuant to section 124(6) of the Companies Act, 2013 is 565,206.

Fixed Deposits:

1.	Accepted during the year	NIL	
2.	Remained unpaid or unclaimed as at the end of the year	YEAR	AMOUNT in ₹
		2017-18	Not Applicable
		2016-17	Not Applicable
		2015-16	Not Applicable
		2014-15	1,558,934
		2013-14	2,376,745
		2012-13	3,003,196
		2011-12	459,892
3.	Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved	NIL	
4.	The Details of deposits which are not in compliance with the requirements of Chapter V of the Companies Act, 2013	Not Applicable	

Necessary compliance under Rule 3 of the Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, has been ensured.

19. Human Resources

Employee relations remained cordial at all the locations of the Company. Particulars of employees drawing an aggregate remuneration of ₹1,02,00,000/- or above per annum or ₹850,000/- or above per month, as well as additional information on employee remuneration as required under the provisions of rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014 is annexed as part of this report in **Annexure - 5** hereto.

20. Employees Stock Option Scheme

Your Company has not offered any stock options to its employees during the year 2017-18.

21. Particulars of Loans, Guarantees and Investments

Loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 are detailed in Notes to the financial statements, which are as follows:

Note 6 is relating to investments, Note 4 is relating to loans given and Note 36 is relating to guarantee given as per the standalone financial statements for the year ended March 31, 2018 include these disclosures.

22. Risk Management

Details on Risk Management are annexed as part of this report in **Annexure - 6** hereto.

23. Internal Financial Controls

The Board after considering the materials placed before it, reviewed the confirmation received from external parties and reviewing the effectiveness of the policies and procedures adopted by the Company for ensuring orderly and efficient conduct of its business, including adherence to Company's policy, safeguarding its assets, prevention and detection of frauds and errors and completeness of accounting records and timely preparation of financial statements, the Board has satisfied itself that the Company has laid down internal financial controls which are commensurate with size of the company and that such internal financial controls are broadly adequate and are operating effectively. The certification by the auditors on internal financial control forms part of the audit report. A statement to this effect is also appearing in the Directors' Responsibility Statement.

24. Corporate Social Responsibility

Information on the composition of the Corporate Social Responsibility (CSR) Committee is provided in the Corporate Governance Report that forms part of this Annual Report. Furthermore, as required by section 135 of the Companies Act, 2013 and the rules made thereunder, additional information on the policy and implementation of CSR activities by your Company during the year are provided in **Annexure - 7** to this report. Business Responsibility Report under Regulation 34(2)(f) of the SEBI (LODR) Regulations has been enclosed as **Annexure - 9** and also uploaded on to the Company's website www.diageoindia.com

25. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars prescribed under section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, are set out in **Annexure - 8** to this report.

26. Details of Significant and Material Orders Passed by the Regulators or Courts Impacting the Going Concern Status and Company's Operations in Future

The Company has not received any significant or material order passed by regulators or courts impacting the Company's going concern status or the Company's operations in future pursuant to Rule 8(5)(vii) of Companies (Accounts) Rules, 2014. The Management Discussion and Analysis Report read with the report on Risk Management contains impact on the business due to regulatory changes.

27. Disclosure as required Under Section 22 of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has implemented a prevention of sexual harassment policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWWA). An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment and on-going training is provided to employees as required by the SHWWA. During the financial year 2017-18 two complaints were received and resolved.

REPORT OF THE DIRECTORS *(CONTINUED)*

28. Highlights of performance of subsidiaries, associates and joint venture companies of the Company

The highlights of performance of subsidiaries, associates and joint venture companies of the Company and their contribution to the overall performance of the Company is covered as part of the Consolidated Financial Statement and form AOC-1 annexed as part of this report. Out of 18 subsidiary/ associate companies, 15 are inoperative companies.

29. Directors' Responsibility Statement

Pursuant to section 134 (5) of the Companies Act, 2013 in relation to financial statements (together with the notes to such financial statements) for the year 2017-18, the Board of Directors report that:

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

(ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/ loss of the Company for that period;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors have prepared the financial statements on a going concern basis;

(v) the Directors have laid down internal financial controls to be followed by the Company commensurate with the size and nature of its business and the complexity of its operations and that such internal financial controls are adequate and are operating effectively.

(vi) the Company has a system of getting reports of compliance periodically from the units and has substantially implemented a process having comprehensive systems to ensure compliance with the provisions of all applicable laws and is operating effectively.

Your Directors place on record their sincere appreciation for the continued support from the shareholders, customers, suppliers, government, banks and financial institutions and other business associates.

A particular note of thanks to all employees of your Company, without whose contribution, your Company could not have achieved the year's performance.

By Authority of the Board

Anand Kripalu
MD & CEO

Mahendra Kumar Sharma
Chairman

Edinburgh, Scotland
July 23, 2018

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Corporate Governance

Inculcating best governance practices in all the spheres of activities of the Company for achieving the Company's goals in an ethical and compliant manner.

2. Board of Directors

2.1 As on the date of this report, the Board of Directors of the Company comprises:

- A Non-Executive Independent Director as Chairman;
- Two Executive Directors;
- Three Non-Executive Non-Independent Directors; and
- Five Independent Directors including the Chairman as stated above.

2.2 None of the Directors are related to any other Director.

2.3 Your Company has a balanced mix of executive, non-executive and Independent Directors from diverse backgrounds, which enables the Board to discharge its duties and responsibilities in an effective manner.

2.4 During the financial year under review, 4 Board Meetings were held, i.e., on May 30, 2017, July 23, 2017, October 26, 2017, January 23, 2018 and the gap between any two Board Meetings did not exceed 120 days.

2.5 Attendance of each Director at the Board Meetings and at the previous AGM and details of the number of outside directorship and committee positions held by each of the Directors are given below.

Name of Director	Category of Directorship	No. of Board Meetings attended during the year	Attendance at last AGM held on 30/08/2017	No. of other Companies in which Director as on 31st March, 2018	No. of committees (other than the Company) as Chairman / Chairperson / Member
Mr Mahendra Kumar Sharma	Independent Non-Executive Chairman	4	Yes	13	3 (Chairman in 1 out of 3)
Mr Anand Kripalu	Managing Director and Chief Executive Officer	4	Yes	1	Nil
Mr Sanjeev Churiwala[1]	Executive Director and Chief Financial Officer	4	Yes	4	Nil
Mr V K Viswanathan	Independent Non-Executive Director	4	Yes	10	6 (Chairman in 2 out of 6)
Dr (Mrs) Indu Shahani	Independent Non-Executive Director	4	No	8	5
Mr D. Sivanandhan	Independent Non-Executive Director	3	Yes	13	4
Mr Rajeev Gupta	Independent Non-Executive Director	3	No	11	3
Mr Vinod Rao	Non-Executive Nominee Director	4	No	Nil	Nil
Mr John Thomas Kennedy	Non-Executive Nominee Director	3	No	Nil	Nil
Mr Randall Ingber	Non-Executive Nominee Director	3	Yes	Nil	Nil

[1]Appointed as an Executive Director of the Company with effect from April 1, 2017.

NOTE: The above details are in respect of their Directorships only in Indian Companies and Committee membership in only Audit Committee and Stakeholders Relationship Committee.

2.6. Other Corporate Governance Requirements

In compliance with Regulation 23, the Company has framed policy on Related Party Transactions which can be viewed through the web link http://www.diageoindia.com/investor.aspx

Regulation 24 with respect to Independent Directors on Unlisted Material Subsidiaries is not applicable since the Company does not have material subsidiary Companies.

Regulation 25 with respect to Independent Directors are complied with.

Regulation 26 with respect to Directors and Senior Management has been complied with to the extent applicable.

Regulation 27 with respect to Quarterly Compliance report has been complied with.

Regulation 46(2)(b) to Regulation 46(2)(i) pertaining to disseminating information on website has been complied with.

Other requirements of Corporate Governance as per the SEBI (LODR) Regulations are disclosed on the Company's website www.diageoindia.com

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

2.7 Disclosures regarding appointment and re-appointment of directors

a. Directors retiring by rotation and offered themselves for re-appointment:

Mr John Thomas Kennedy (DIN: 07529946)

Mr John Thomas Kennedy was appointed as Director in previous AGM. He is liable to retire by rotation and has offered himself for re-appointment. His brief profile is given in the Annexure to the Notice of the 19th AGM.

b. Appointment of Directors
Mr Sanjeev Churiwala (DIN: 00489556)
Mr Sanjeev Churiwala was Appointed as an Executive Director and Chief Financial Officer of the Company with effect from April 1, 2017 and duly approved by the shareholders at the previous AGM.

3. Audit and Risk Management Committee

3.1 The Audit and Risk Management Committee constituted by the Company is presently comprised of 7 directors as follows:

Mr V K Viswanathan (Chairman)	Non-Executive Independent Director
Dr (Mrs) Indu Shahani	Non-Executive Independent Director
Mr D. Sivanandhan	Non-Executive Independent Director
Mr Rajeev Gupta	Non-Executive Independent Director
Mr Vinod Rao	Non-Executive Nominee Director
Mr Mahendra Kumar Sharma	Non-Executive Independent Director
Mr John Thomas Kennedy	Non-Executive Nominee Director

3.2 Pursuant to Regulation 18(3) and Part C of Schedule II, SEBI (LODR) Regulations, the brief description of the terms of reference of the Audit and Risk Management Committee are given below:

a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.

c. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

i. Major accounting entries based on exercise of judgment by management;
ii. Qualifications in draft audit report;
iii. Significant adjustments arising out of audit; and
iv. Disclosure of any related party transactions.

d. Reviewing with the management, performance of statutory and internal auditors, the adequacy of internal control systems, risk management systems.

e. Reviewing the adequacy of internal audit function including the structure of the internal audit department, reporting structure coverage and frequency of internal audit.

f. Discussion with internal auditors on any significant findings and follow up thereon.

g. Reviewing the findings of any internal investigations by the internal auditors and external consultants into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

h. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

3.3 The Audit and Risk Management Committee, inter alia, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2018 and has recommended its adoption. In addition, the Audit and Risk Management Committee has also reviewed the unaudited quarterly results for quarter ended June 30, 2017, quarterly and six months ended September 30, 2017 and quarterly and nine months ended December 31, 2017 (which were subjected to a limited review by the Statutory Auditors of the Company) and the audited financial results for the quarter year ended March 31, 2018.

3.4 During the financial year under review, 4 meetings of the Audit and Risk Management Committee were held, i.e., on May 29, 2017, July 23, 2017, October 25, 2017, Jan 23, 2018 and the gap between any two Audit and Risk Management Committee Meetings did not exceed 120 days. The details of attendance by members of the Audit and Risk Management Committee at such meetings are as stated below. (These details should be read with the information on appointment to and cessation

of membership in the Audit and Risk Management Committee, set out above).

Name of the director	No. of meetings entitled	Meetings attended
Mr V K Viswanathan (Chairperson)	4	4
Dr (Mrs) Indu Shahani	4	4
Mr Vinod Rao	4	4
Mr D. Sivanandhan	4	3
Mr Rajeev Gupta	4	3
Mr Mahendra Kumar Sharma[1]	2	2
Mr John Thomas Kennedy[2]	2	2

[1] Appointed as Member of the Committee with effect from July 24, 2017.

[2] Appointed as member of the Committee with effect from July 24, 2017.

4. Nomination and Remuneration Committee

4.1 The Nomination and Remuneration Committee (NRC) constituted by the Company comprises at present the following Directors:

Dr (Mrs) Indu Shahani (chairperson)	Non-Executive Independent Director
Mr D. Sivanandhan	Non-Executive Independent Director
Mr John Thomas Kennedy	Non-Executive Nominee Director
Mr V K Viswanathan[1]	Non-Executive Independent Director

[1] Appointed as member of the NRC with effect from July 24, 2017.

4.2 Pursuant to Regulation 19(4) and Part D of Schedule II of SEBI(LODR), Regulations, brief description of the terms of reference of the NRC are given below:

i. Assist the Board of Directors of the Company to:
   1. determine, review and propose compensation principles and policy of the Company
   2. assess and review compensation plans recommended by the management;
   3. recommend the compensation packages of the Company's Executive Directors.

ii. Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board of Directors their appointment and removal and shall carry out evaluation of every director's performance.

iii. Approve and recommend matters relating to compensation by way of salary, perquisites, benefits, etc., to the Managing/Whole Time / Executive Directors of the Company.

iv. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy, relating to the remuneration of the directors including Independent directors, key managerial personnel and other employees.

The policy shall inter alia cover termination payments to the Executive Committee members and other Senior Executives and oversight of the same by the Committee.

The remuneration policy shall cover termination payments to the Executive Committee members and other Senior Executives and oversight of the same by the Committee.

v. Review and recommend to the Board of Directors.

vi. Review and re-assess the adequacy of the charter and perform annual self-evaluation of the performance of the Committee.

vii. Carry out any other acts and deeds as may be delegated by the Board of Directors and deal with such other matters as may be prescribed under the Companies Act, the SEBI (LODR) Regulations and other statutory enactments.

viii. To set up policy and procedure for succession planning of Key Managerial Personnel and other senior management of the Company.

ix. Approve any share incentive or other plans for the employees of the Company.

4.3 During the financial year under review three meetings were held i.e., on April 10, 2017, July 19, 2017 and September 1, 2017. The details of attendance by members of the Committee at such meetings are as stated below. (These details should be read in conjuction with the information on appointment to membership in the NRC, set out above.)

Name of the director	No. of Meetings	Meetings attended
Dr (Mrs) Indu Shahani	3	3
Mr John Thomas Kennedy	3	2
Mr D. Sivanandhan	3	3
Mr V K Viswanathan[1]	1	1

[1] Appointed as member of the NRC with effect from July 24, 2017.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

4.4 Remuneration of directors

The policy on Directors/senior appointments sets out the guidelines for the executive committee members/ Managing Director/Key Managerial Personnel based on the terms of reference of the committee. The said policy is available on the Company's website www.diageoindia.com.

The details of remuneration paid / payable to the directors during the financial year April 1, 2017 to March 31, 2018 are given below.

A. Managing Director: Mr Anand Kripalu

Mr Anand Kripalu was appointed as Chief Executive Officer with effect from May 1, 2014 and as Managing Director and Chief Executive Officer of the Company for a period of five years with effect from August 14, 2014. The terms and conditions of appointment and remuneration of Anand Kripalu were as set out in the resolution approved by the shareholders at the AGM held on September 30, 2014 and as per the applicable rules of the Company. The remuneration was revised at the AGM held on November 24, 2015 with effect from July 1, 2015. There is no severance fee and the notice period is six months. The performance criteria is as determined by the Nomination and Remuneration Committee.

The remuneration paid to Mr Anand Kripalu as Managing Director and Chief Executive Officer during the year ended March 31, 2018 is given in **Annexure 4** to the Directors Report. Please also refer Note 36(d) of the Financial Statements.

B. Non-Executive Directors

i. Sitting Fees have been paid to Non-Executive Directors for attending Board / Committee Meetings as specified in the table below should be read with information regarding the appointment, re-appointment, resignation or retirement of such directors provided in the preceding sections of this Corporate Governance Report). They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred for attending such meetings in accordance with the Board approved policies for such reimbursements.

Other than the sitting fees, reimbursement of expenses and as commission as explained below, no other remuneration was paid. No securities / convertible instruments were issued or allotted to any of the non-executive directors during the financial year.

Name of the Non-Executive Director	Sitting fees (INR)
Mr Mahendra Kumar Sharma	5,00,000
Mr V K Viswanathan	6,25,000
Mr D. Sivanandhan	5,75,000
Mr Rajeev Gupta	4,50,000
Dr (Mrs) Indu Shahani	7,25,000

ii. Non-Executive Directors are also eligible for commission as approved by the Board of Directors every year within the limit of one per cent of the net profits of the Company as approved by the shareholders at the AGM held on September 30, 2014. Such commission are determined based on the recommendation of the Nomination and Remuneration Committee and as approved by the Board of Directors.

iii. Details of commission to the Non-Executive Directors for the Financial Year 2017-18 is given below:

Sl. No.	Name of the Directors	Amount (in INR)
1	Mr Mahendra Kumar Sharma	47,00,000
2	Mr D Sivanandhan	41,00,000
3	Mr Rajeev Gupta	35,00,000
4	Dr Indu Shahani	41,00,000
5	Mr V K Viswanathan	38,00,000

C. Particulars of Equity Shares of the Company currently held by Directors

As on the date of this Report none of the Directors are holding any Equity Shares in the Company.

D. Performance Evaluation of Independent Directors

Pursuant to the provisions of the Companies Act , 2013 and Regulation 34(3) read with Schedule V(C) (4)(d) of the SEBI (LODR) Regulations, the Committee has prescribed performance evaluation criteria for independent directors as well as for the directors, the committee and the Board. Such evaluation was carried out during the year for both Independent Directors and other Directors. Observations made by the Board regarding reconstitution of the Committees were carried out during the year. Other observations are being carried out in the following year.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

5. Stakeholders' Relationship and General Committee

5.1 During the year, the Board of Directors of the Company combined the Stakeholders' Relationship Committee and General Committee into one Committee and named it as Stakeholders Relationship Committee and General Committee (SRGC) of Directors and combined the terms of reference of both Committees for operational convenience.

The composition of the aforesaid Committee is as under :

Mr D. Sivanandhan (Chairperson)	Non-Executive Independent Director
Dr (Mrs) Indu Shahani	Non-Executive Independent Director
Mr John Thomas Kennedy	Non-Executive Nominee Director
Mr Anand Kripalu[1]	Executive Director

[1] Appointed as member of the SRGC with effect from July 24, 2017

5.2 The terms of reference of aforesaid Committee is given below:

a. Review the redressal of shareholders', debenture holders' and depositors' or any other security holders' grievances/complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, non-receipt of interest warrants, etc., and ensure cordial relation with the Stakeholders.

b. Review the adherence to service standards relating to the various services rendered by the Company and Company's Registrars & Transfer Agents.

c. Review the status of the litigations, complaints /suits filed by or against the Company relating to the shares/ fixed deposits, debentures or any other securities of the Company before any Courts/other appropriate authorities, and in particular where directors are implicated or could be made liable.

d. Review the impact of enactments, amendments made by the Ministry of Corporate Affairs/Securities and Exchange Board of India and other regulatory authorities on matters concerning the Stakeholders in general.

e. Review matters relating to transfer of unclaimed and unpaid dividend, matured deposits, interest accrued on the matured deposits, debentures etc., to the Investor Education and Protection Fund as specified under the Companies Act.

f. Review the status of claims received for unclaimed shares and dividend on unclaimed shares.

g. Review the initiatives taken to reduce quantum of unclaimed dividends/unclaimed deposits.

h. Act on such further terms of reference as may be considered necessary and specified by the Board in writing from time to time.

i. Review service standards and investor service initiatives undertaken by the Company.

5.3 Mr V. Ramachandran, Company Secretary, is the compliance officer of the Company.

5.4 During the financial year under review one meeting was held on April 10, 2017.

5.5 The details of attendance by members of the Committee are as below. (These details should be read with the information on appointment to the Stakeholders' Relationship and General Committee, set out above)

Name of the Director	No. of Meetings	Meetings attended
Mr D Sivanandhan (Chairman)	1	1
Mr John Thomas Kennedy	1	1
Dr (Mrs) Indu Shahani	1	1
Mr Anand Kripalu [1]	1	1

[1] Appointed as member of the SRGC with effect from July 24, 2017.

5.6 The Company/Company's Registrars received 22 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

Sl. No.	Complaints relating to	No. of Complaints received	No. of Complaints resolved
1	Non-receipt of refund order / allotment letter	Nil	Nil
2	Non-receipt of Dividend/Interest on Shares/ Debentures/ Fixed Deposits/maturity amount on debentures	6	6
3	Non-receipt of share certificates	16	16
4	Non-receipt of Annual Report/ Rights forms/ Bonus shares/interest on delayed refund/ Dividend and Interest	NIL	NIL
5	Others	NIL	NIL
	Total	**22**	**22**

In addition to the above, there are a few shareholder litigations where the Company has been made a party to such disputes.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

5.7 **Dividend Distribution Policy**

Pursuant to Regulation 43A of SEBI (LODR) Regulations, 2015 the Company has framed a Dividend Distribution Policy which lays out the parameters to be considered while declaring dividend. The said policy is available on the website of the Company www.diageoindia.com. The parameters for dividend payment as per policy includes dividend payout ratio as well.

6. Corporate Social Responsibility Committee

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

Dr (Mrs) Indu Shahani (Chairperson)	Non-Executive Independent Director
Mr D. Sivanandhan	Non-Executive Independent Director
Mr Anand Kripalu	Managing Director and Chief Executive Officer
Mr Randall Ingber[1]	Non-Executive Nominee Director

[1] Appointed as member of the CSR Committee with effect from July 24, 2017

6.2 During the financial year under review, two meetings were held on May 30, 2017 and October 26, 2017. The details of attendance by members of the CSR Committee are as below. (These details should be read with the information on appointment to and cessation of membership in the CSR Committee, set out above).

Name of the director	No. of meetings	Meetings attended
Mr D. Sivanandhan	2	1
Dr (Mrs) Indu Shahani	2	2
Mr Anand Kripalu	2	2
Mr Randall Ingber [1]	1	1

[1] Appointed as member of the CSR Committee with effect from July 24, 2017

6.3 The CSR Report of the Company for the year ended March 31, 2018 has been approved by the board and is provided in **Annexure 7** as part of the Board Report. The copy of your Company's CSR policy is available on the Company's website at www.diageoindia.com.

7. General Meetings

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

Financial year ended	Date	Time	Venue
March 31, 2017	August 30, 2017	4.00 p.m.	The Capitol Hotel, No. 3, Raj Bhavan Road, Bengaluru – 560 001
March 31, 2016	July 14, 2016	4.00 p.m.	The Capitol Hotel, No. 3, Raj Bhavan Road, Bengaluru – 560 001
March 31, 2015	November 24, 2015	2.30 p.m.	Level 1, UB Tower, #24, Vittal Mallya Road, Bengaluru – 560001

7.2 The Special Resolutions passed by the shareholders at the past three AGMs are summarized below:

AGM held on	Subject matter of the Special Resolution
August 30, 2017	(i) Appointment of and remuneration of Mr Sanjeev Churiwala as Executive Director and Chief Financial Officer (ii) Issue of unsecured unlisted Redeemable Non-Convertible Debentures on Private Placement basis
July 14, 2016	No Special Resolution was passed.
November 24, 2015	(i) Revision in the terms of remuneration payable to Mr Anand Kripalu as Managing Director and Chief Executive officer

All the special resolutions set out in the AGM Notices as above were passed by the Shareholders with the requisite majority.

8. Postal Ballot & Extraordinary General Meeting

8.1 The Company has not passed any resolution at the above AGMs held which was required to be passed through Postal Ballot as per the provisions of the Companies Act, 2013 and the rules framed there under. At this meeting also, there is no ordinary or special resolution proposed requiring passing by way of Postal Ballot.

8.2 The following resolutions were passed through postal ballot subsequent to the closure of FY 2017-18 and the details/results of the postal ballot exercise so conducted are as under:

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Date of Notice of Postal Ballot	Date of Results	Period of voting	Description	Results
April 13, 2018	June 5, 2018	May 5, 2018 to June 3, 2018	(i) Alteration of Capital clause in the Memorandum of Association. (ii) Alteration Capital Clause in the Articles of Association. (iii) To sub-divide Equity Shares of the Company having a face value of ₹10/- per Equity Share to ₹2 per Equity Share and to sub-divide Preference Shares of the Company having a face value of ₹100/- per Preference Share to ₹10/- per share.	(i) Special Resolution passed with requisite majority. (ii) Special Resolution passed with requisite majority. (iii) Special Resolution passed with requisite majority.

9. Disclosures

9.1 The related party transaction entered in to by the Company during the financial year ended March 31, 2018, have been disclosed in the Notes to Accounts and also in Form AOC-2, which forms part of Directors' Report.

9.2 During the financial year ended March 31, 2018, the Company has complied with the statutory requirements comprised in the SEBI (LODR) Regulations / Guidelines / Rules of the Stock Exchanges / SEBI / other statutory authorities and there have been no other instances of material non-compliance by the Company during such financial year, nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets. Please refer to Secretarial Audit Report in **Annexure 3**.

9.3 Code of Conduct

a. Your Company believes that good governance practiced with in the Company fosters the confidence and trust of all stakeholders. Your Company has a Compliance & Ethics team, which guides the employees on matters of compliance. Your Company is committed to conducting its business in an ethical manner. This code is reviewed by the Board from time to time.

b. As stated in the Board's report, your Company has a well-established vigil mechanism in place, which is managed by the Compliance & Ethics team. 'SpeakUp' is a confidential service available to employees to make a report when they believe there to be a breach of the Code, policies or applicable law. 'SpeakUp' is managed by an external agency, independent from the Company, with staff who are trained to deal with the call, and translators who are immediately available to assist if required. Access to the Chairman of the Audit Committee is made available in appropriate and exceptional cases, as required under the Companies Act and the SEBI (LODR) Regulations. All complaints are investigated by the Compliance and Ethics team and appropriate action taken in accordance with your Company's policies.

c. In compliance with SEBI (LODR) Regulations, the Company has adopted a Code of Business Conduct and Ethics (Code) for its Board members and Senior Management Personnel, a copy of which is available on the Company's website, www.diageoindia.com. All Board members and senior management personnel have affirmed compliance with the code for the year ended March 31, 2018 and a declaration to this effect signed by the MD & CEO forms part of this report. Pursuant to the requirements of the SEBI (LODR) Regulations, it is affirmed that no person who has sought access to the Audit Committee has been denied such access.

d. Pursuant to the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company has adopted a Code of Conduct for Prevention of Insider Trading, applicable to all Directors and designated employees of the Company.

e. The Company has complied with all mandatory requirements of SEBI (LODR) Regulations and has also adopted the non-mandatory requirements of the above mentioned regulations, to the extent shown in the subsequent sections of this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

10. Means of Communication

10.1 The quarterly results are sent to all the Stock Exchanges where the shares of the Company are listed. The results are normally published in "Business Standard" (English Daily) and "Kannada Prabha" (Kannada Daily). The results are displayed on the Company's website www.diageoindia.com. Press Releases are also issued which are also displayed on the Company's website. In addition presentations made to analysts or investors are also made available on the Company's website.

10.2 The required disclosures to the extent applicable including results were also sent to the Stock Exchanges.

10.3 The Company has designated an exclusive email address, i.e., Investor.India@diageo.com to enable investors to post their grievances and monitor redressal.

11. Management Discussion and Analysis Report

The Management Discussion & Analysis Report is appended to and forms an integral part of the Directors' Report.

12. General Shareholder Information

A)	Corporate Identification Number	L01551KA1999PLC024991
B)	AGM Date, Time and Venue	Friday, September 7, 2018 at 3:30 p.m. at Vivanta by Taj, No. 3, 41/3, MG Road, Bengaluru, Karnataka 560001
C)	Financial year	April 1 to March 31
	Tentative Board Meeting calendar:	
	First Quarterly Results (FY 2018-19)	July 23, 2018
	Second Quarterly Results	October 31, 2018
	Third Quarterly Results	January 23, 2019
	Audited yearly Financial Results	May 29, 2019
	In addition, Board may also meet on other dates for transacting other urgent business or due to any specific requirements	
D)	Date of Book Closure	Book Closure Date – September 1, 2018 to September 7, 2018 (both days inclusive)
E)	Dividend payment date	NA
F)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: **BSE Limited** Regular Office & Corporate Relations Dept Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001 **National Stock Exchange of India Limited** Exchange Plaza, C-1, Block G Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.
G)	**Stock Code**	
	BSE	Demat 532432 Physical 32432
	NSE	SYMBOL -MCDOWELL-N
H)	ISIN NO.	Before Sub- Division of shares : INE854D01016 After Sub-Division of shares : INE854D01024
I)	Market price data	(As per **Annexure A**)
J)	Stock performance in comparison to BSE Sensex and NSE Nifty	(As per **Annexure B**)
K)	Registrar and Transfer Agents	Integrated Registry Management Services Private Limited (Formerly known as Integrated Enterprises (India) Limited), 30, Ramana Residency, 4th cross, Sampige Road, Malleswaram, Bengaluru - 560003 Tel. Nos.(080) 23460815-818 Fax No.(080)23460819

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

L)	Share Transfer System	The power to consider and approve share transfers/transmission/ transposition/consolidation/subdivision, etc., has been delegated to a Committee of Directors. The requirements under the SEBI LODR Regulations, 2015/statutory regulations in this regard are being followed.		
M)	Distribution of Shareholding	As per **Annexure C**		
N)	Dematerialisation of shares (as on march 31, 2018)	Depositories	Shares	%
		NSDL	136539611	5.07%
		CDSL	7361703	93.95%
		Total	143901314	99.02%
O)	Outstanding GDRs/ADRs/Warrants or any other Convertible Instruments	NIL		
P)	Plant locations (operational)	1. Alwar (Rajasthan) 2. Asansol (West Bengal) 3. Aurangabad (Maharashtra) 4. Baddi (Himachal Pradesh) 5. Baramati (Maharashtra) 6. Bhadrakali (West Bengal) 7. Bhopal-I (Madhya Pradesh) 8. Gopalpur-On-Sea (Orissa) 9. Gulbarga (Karnataka) 10. Hyderabad I (Nacharam, Telangana) 11. Hyderabad II (Malkajgiri, Telangana) 12. Kumbalgodu (Karnataka) 13. Meerut (Uttar Pradesh) 14. Nasik-I (Maharashtra) 15. Nasik-II (Maharashtra) 16. Pathankot (Punjab) 17. Ponda (Goa) 18. Rosa (Uttar Pradesh) 19. Udaipur (Rajasthan)		
Q)	Address for correspondence	Shareholder correspondence should be addressed to the Company's Registrars and Transfer agents: Integrated Registry Management Services Private Ltd (Formerly known as Integrated Enterprises (India) Limited) 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru 560 003. Tel. Nos. (080) 2346 0815-818, Fax No. (080) 2346 0819, Email: bglsta@integratedindia.in Investors may also write or contact Mr V. Ramachandran, Company Secretary or Mr B.L. Akshara, General Manager–Secretarial at the Registered Office of the Company at UB Tower, #24, Vittal Mallya Road, Bengaluru 560 001 Tel. Nos. (080) 3985 6500 / 2221 0705, Direct No. (080) 3985 6905, Fax No. (080) 3985 6862		
R)	Email for investor grievances	In compliance with the provisions of regulation 46(2)(j) of the SEBI (LODR) Regulations, an exclusive email address, Investor.India@diageo.com has been designated for registering Investor complaints, which is available on the Company's website www.diageoindia.com		

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

13.1 Pursuant to Part F of Schedule V of the SEBI (LODR) Regulations, an Unclaimed Suspense Account was opened with Stock Holding Corporation of India Limited on February 14, 2013 and the following unclaimed shares, were transferred to the Demat account titled United Spirits Limited Unclaimed Suspense Account after the Company's Registrars & Transfer Agents sent three reminders to all the shareholders whose share certificates were returned undelivered and remained unclaimed. During the year, your Company has released shares from the said suspense account upon receipt of requests from the shareholders and after checking veracity of such shareholder's claims. Physical shares on which dividend has not been claimed for a continuous period of seven years have been transferred to Investor Education Protection Fund (IEPF) as per applicable rules. The details of such release of shares are given below.

Particulars	No. of shareholders	No. of equity shares held
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on April 01, 2017	5443	484906
Number of shareholders who approached issues for transfer of shares from Unclaimed Suspense Account during the year	45	7240
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	45	7240
Number of Shareholders and shares transferred to IEPF	3348	273373
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on March 31, 2018	2050	204293

Voting rights on the above unclaimed shares shall remain frozen until the rightful owner claims the shares.

14. Discretionary Requirements

Pursuant To Regulation 27(1) and Part E of Schedule II of SEBI (LODR) Regulations, Your Company also complied with the following optional requirement.

Shareholder Rights

Half yearly declaration of financial performance including summary of the significant events in last 6 months were sent to all shareholders.

Audit qualifications

There are no qualifications in the Audit Report of the Statutory Auditors and the Secretarial Auditor for the year ended March 31, 2018.

Separate posts of Chairman and CEO

The Company has appointed separate persons to the posts of Chairman and of MD & CEO.

Reporting of Internal Auditor

The internal auditor reports directly to the Audit Committee.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

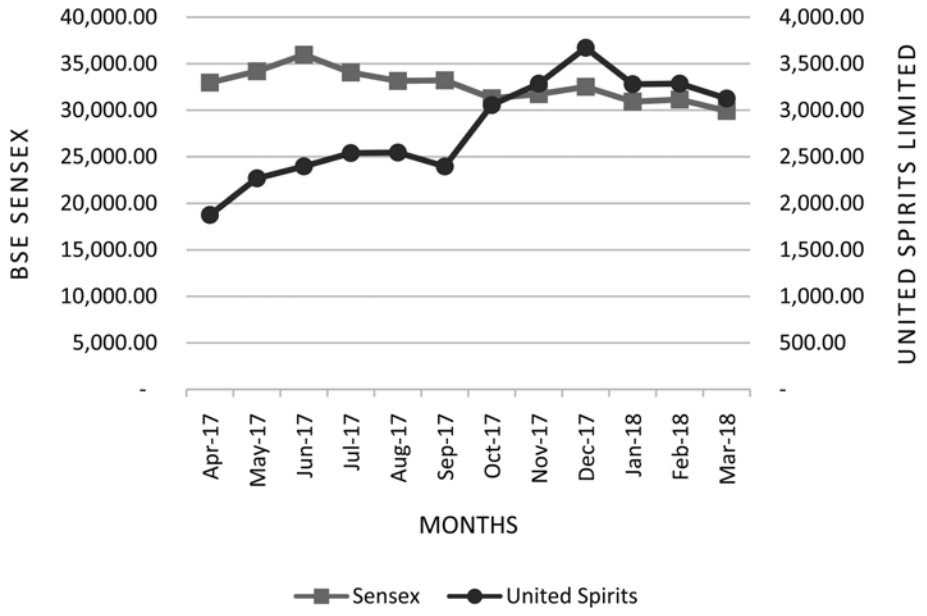
ANNEXURE A: MARKET PRICE DATA (Pre-split share price)

United spirits limited - Monthly BSE				
Month	High Price (INR)	Low Price (INR)	Close Price (INR)	Volume
Apr-17	2,076.00	1,831.25	1,875.45	998,844
May-17	2,324.00	1,875.00	2,267.35	2,786,685
Jun-17	2,514.65	2,205.00	2,396.35	1,794,526
Jul-16	2,773.30	2,399.00	2,539.20	1,139,969
Aug-17	2,698.00	2,409.15	2,545.05	697,184
Sep-17	2,718.75	2,390.00	2,395.55	662,317
Oct-17	3,175.00	2,340.10	3,055.20	1,400,088
Nov-17	3,404.95	2,968.05	3,285.75	1,514,574
Dec-16	3,685.70	3,171.10	3,671.15	894,516
Jan-18	4,003.45	3,250.00	3,279.80	1,301,173
Feb-18	3,385.00	2,999.95	3,285.75	644,726
Mar-18	3,324.95	2,961.65	3,125.75	501,704

United Spirits Limited-Monthly NSE				
Month	High Price (INR)	Low Price (INR)	Close Price (INR)	Volume
Apr-17	2,079.50	1,830.35	1,875.95	11,345,818
May-17	2,327.00	1,876.00	2,265.35	16,973,902
Jun-17	2,518.90	2,200.00	2,398.35	14,105,433
Jul-17	2,774.00	2,360.50	2,535.70	10,919,843
Aug-17	2,659.80	2,415.00	2,542.90	7,534,599
Sep-17	2,722.95	2,390.00	2,397.65	5,918,883
Oct-17	3,176.70	2,340.05	3,051.35	13,828,369
Nov-17	3,403.20	2,970.80	3,284.65	9,470,543
Dec-17	3,688.00	3,171.00	3,668.85	8,473,042
Jan-18	4,005.15	3,249.40	3,285.60	13,096,175
Feb-18	3,387.60	2,960.00	3,291.95	7,515,721
Mar-18	3,329.00	2,960.00	3,129.65	8,215,903

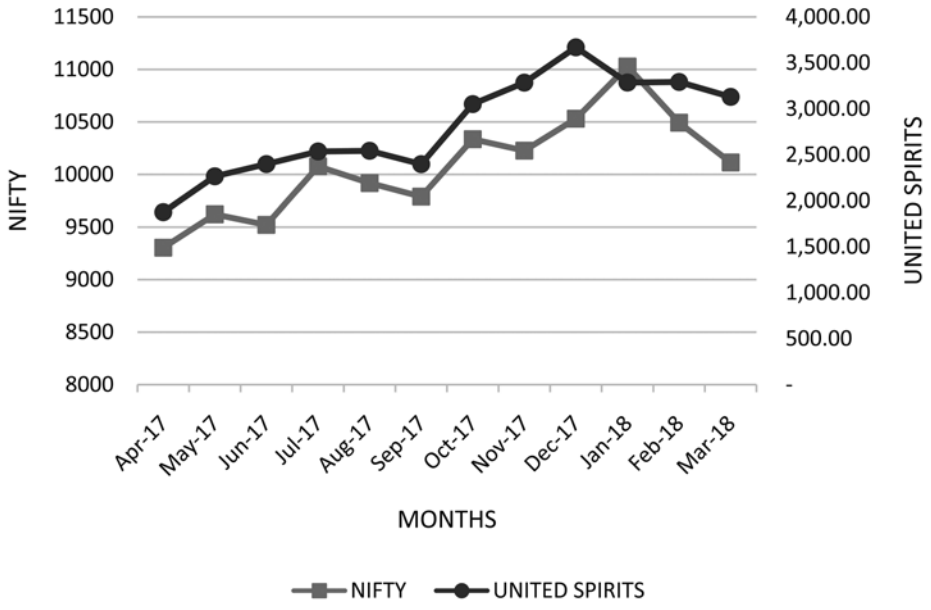
ANNEXURE B: UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX

USL CLOSE VS BSE SENSEX CLOSE AS ON MARCH 31, 2018



CORPORATE GOVERNANCE REPORT *(CONTINUED)*

USL CLOSE VS NSE NIFTY CLOSE AS ON MARCH 31, 2018



ANNEXURE C: DISTRIBUTION OF HOLDINGS (AS ON MARCH 31, 2018)

Value Wise							Category Wise		
Shareholding of nominal value			Shareholders		Share amount		Category	No. of Shares	% of Equity Capital
₹			Number	% to Total	₹	% to total			
Upto	-	5,000	77551	96.60	47,162,580	3.25	Promoter Group	84,984,429	58.48
5,001	-	10,000	1164	1.45	8,746,650	0.60	Resident body Corporate (including clearing members)	3,426,501	2.36
10,001	-	20,000	577	0.72	8,417,040	0.58			
20,001	-	30,000	224	0.28	5,615,700	0.39	Banks/FI/FII/ MF/UTI/ Trust/Central/State Government & Insurance Companies	44,506,554	30.62
30,001	-	40,000	117	0.15	4,113,330	0.28			
40,001	-	50,000	80	0.10	3,648,670	0.25	NRI / OCB / FCB/ Foreign Nationals	1,023,645	0.70
50,001	-	1,00,000	195	0.24	13,618,200	0.94	Venture Capital	2,27,050	0.16
100,001 and above			370	0.46	1,361,955,260	93.71	Resident Individuals	11,159,564	7.68
Total			**80278**	**100.00**	**1,453,277,430**	**100.00**	**Total**	**145,327,743**	**100**

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,
United Spirits Limited, Bengaluru

I have examined the compliance of conditions of corporate governance as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by United Spirits Limited (the Company) for the year ended March 31, 2018.

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

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

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

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

Place : Bengaluru
Date: July 23, 2018

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

CEO/CFO CERTIFICATE

A. We have reviewed the Standalone and Consolidated financial statements for the year ended March 31, 2018 and that to the best of our knowledge and belief
   1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   2. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

B. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

C. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

We have indicated to the auditors and the Audit committee:

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

Bengaluru
May 24, 2018

Sanjeev Churiwala
Executive Director and
Chief Financial Officer

Anand Kripalu
Managing Director and
Chief Executive Officer

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirement of Regulation 26(3) read with Schedule V Para D of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, code of conduct of the Company has been displayed at the Company's website www.diageoindia.com. All the members of the Board and the senior management personnel had affirmed compliance with the code for the year ended March 31, 2018.

Bengaluru
May 24, 2018

Anand Kripalu
Managing Director and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

A. ECONOMIC SCENARIO

Global economy: World growth strengthened in 2017 to 3.8% post a subdued 2016 with a notable rebound growth in global trade. The growth was driven by investment recovery in advanced economies, strong growth in emerging Asia, the upswing in emerging Europe and signs of recovery in several commodity markets. Growth in advanced economies was led by a strong pick-up in spending. Emerging Market and Developing Economies grew on a stronger footing primarily supported by an acceleration in private consumption. Resurgent net exports and strong private consumption led to higher growth levels in China and India, respectively.

Global growth is expected to scale up to 3.9% both in 2018 and 2019, strengthened by strong momentum, favourable market sentiment, accommodative financial conditions, and expanding fiscal policy in United States (US) which is expected to boost both domestic and international markets.

(Source: IMF Global Economic Outlook, April 2018)

Indian economy: The year under review witnessed a strong rebound in economic activity on the back of a turnaround in increased demand, acceleration in manufacturing, increased capacity utilisation, strong growth in services sector and a record agricultural productivity. As per the second advanced estimates issued by the Central Statistics Organisation (CSO), India's GDP at constant prices is expected to grow by 6.6% in the financial year 2017-18 as compared to 7.1% in the financial year 2016-17. The government's impetus on Make in India, investment in infrastructure and Smart Cities, rising disposable incomes, implementation of the Seventh Pay Commission, recovery in exports and lower inflation cumulatively contributed to growth. As per Harvard University report, India topped the list of the fastest growing economies in the world for the coming decade with growth expectations of 7.9% annually till 2026, ahead of China and US. The positive effects of Government's economic actions is also reflected in the fact that India was ranked 100th in 'Ease of Doing Business' ranking amongst 190 countries as per World Bank, jumping 30 positions from the previous year. The economic growth is expected to gradually rise with continued implementation of structural reforms that raise productivity and incentivise private investment. According to IMF, the Indian economy is expected to be the fastest growing major economy in the World with 7.4% growth in the financial year 2018-19 and 7.8% in the financial year 2019-20.

(Source: https://timesofindia.indiatimes.com/business/india-business/ease-of-doing-business-india-jumps-30-notches-breaks-into-top-100/articleshow/61374673.cms, https://rightlog.in/2018/05/fastest-growing-economy-harvard-report-01/)

B. INDUSTRY OVERVIEW

India is one of the fastest growing alcobev markets in the World, with an estimated 324.3 million cases sold in 2017. The various factors contributing to the growth in alcobev industry include improvement in standards of living, increased globalization with increasing number of Indians making foreign trips for jobs, holidays or education, higher exposure to different lifestyles and a growing culture of social drinking. Technology boom and increasing number of multinational company's expanding presence in India has led to increased disposable income and prevalence of Western culture of social drinking, which is boosting alcohol consumption. India is expected to be the third largest consumer economy as its consumption is expected to triple to US$ 4 trillion by 2025, led by shift in consumer behaviour and expenditure pattern. With nearly 65% of population younger than 35 years, India is a young country with median age 27.9 in 2017. Here exists tremendous opportunity to drive growth of alcobev industry on the back of its rising working-age population. The nation is expected to add almost 10-12 million people to its workforce every year over the next two decades, with the working-age population crossing 1 billion mark by 2030. The per capita consumption of alcohol in 2018 is estimated at 5.1 litres which is considerably lower than the regional average of 20.9 litres per capita amongst Asian countries.

(Source: https://beerconnoisseur.com/articles/indian-beer-market-set-strong-growth-2018; https://economictimes.indiatimes.com/industry/cons-products/liquor/liquor-ban-2017-sales-in-low-spirits-valuations-soar/articleshow/62667737.cms; Statista – India)

C. INDIAN SPIRITS MARKET OVERVIEW

Industry performance: The alcobev industry in India has been growing at more than 12% CAGR for the decade starting 2001 making it one of the fastest growing markets in the World. However during 2017, the industry faced

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

challenging times resulting in 2.7% sales decline. The decline in 2017 was partly due to the Supreme Court-order ban on sale of alcohol near highways and distribution changes in some states like in West Bengal, Chhattisgarh and Jharkhand.

Market segmentation: The Indian alcobev industry is segmented into IMFL (Indian Made Foreign Liquor), IMIL (Indian Made Indian Liquor), Wine, Beer and imported alcohol. The heavy import duty and taxes levied raised the prices of imported alcohol to a large extent. IMFL category accounts for almost 70% of the market. IMFL value sales grew 2% in the financial year under review. With consumer demand picking up, the industry is expecting mid-single-digit growth in the coming financial year.

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

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

Constantly changing regulatory environment: Recently, Governments in West Bengal, Chhattisgarh and Jharkhand modified their state liquor sales policy, resulting in the sale of liquor only through government-owned corporations/ retail stores. The Supreme Court restrictions imposed last year on the sale of alcohol near state and national highways led to the closure of about 30,000 liquor shops, causing a drop in demand. The court subsequently clarified its ruling, easing conditions for liquor sales and allowing most outlets to reopen. The impact of highway ban has substantially subsided.

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

Growing prevalence of premium alcobev: Rapid urbanisation is also leading to spur in aspirational values of people, leading to higher consumption of premium alcobev brands. With more Indians travelling abroad, rising aspirations, favourable environment for imported liquor and higher disposable income, consumers are upgrading towards Premium segments in the country. The rise in premiumisation is clearly reflective in the increased focus of the big players on semi-premium and Premium categories with an increase in launches and increased marketing of these categories. Another trend which is gaining traction in the alcobev space is the growing popularity of grain-based liquor as against traditionally popular molasses based liquor. As per industry estimates, the Premium and above segment is expected to grow at a faster pace at 14% CAGR over 2016-2021 than the overall industry growth.

D. REGULATORY SCENARIO IN INDIAN MARKET

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

Prohibitively high inter-state duties compel national alcobev players to set-up owned or contract manufacturing setups in every state. Licenses are required to produce, bottle, store, distribute or retail all alcobev products. Distribution is also highly controlled, both at the wholesale and retail levels. In states with government control on pricing, price increase is based on government notifications. In states where retailing is controlled by the state government, there is a specified quota that each player can sell, capping potential to increase market share for our products. These regulations make operations restrictive for the industry players.

- ***Goods and Services tax (GST):***

  While alcohol was kept out of the purview of GST, most of its inputs are part of GST. As a result, input credit offset was not available to alcobev companies which led to increase in the cost of operations. Molasses and packaging material both attracted 18% GST. Your company has worked with the external business partners and service providers to put in place a robust mitigation program by accelerating our existing productivity pipeline and ensuring no adverse impact is felt on its Operations due to non-availability of such set-off of GST.

- ***Price control over material:***

  The benign raw material pricing coupled with price increases and increased productivity led to margin improvements during the year under review. Majority of the States permitted price increases during the year under review. The Company saved about ₹ 3,000 million in material costs during the year as against about ₹ 2,000 million of savings achieved during the previous financial year.

E. BUSINESS ANALYSIS

Company overview

United Spirits Limited (USL/your Company) is the largest alco beverage company in India and among the largest consumer goods companies. Your Company is involved in the manufacture, sale and distribution of beverage alcohol. It has a comprehensive brand portfolio with over 100 brands of Scotch whisky, IMFL whisky, brandy, rum, vodka, gin and wine. Your Company sells over 1 million cases annually covering 15 brands. Your Company has brands spanning across price points operating in all segments of Popular, Prestige, Premium and Luxury.

Your Company produces and sells around 78 million cases. McDowell's No.1, Royal Challenge, Signature, Antiquity, Director's Special Black, McDowell's VSOP, Romanov, Bagpiper, Old Tavern, Haywards are some of the marquee brands owned by your Company. In addition, your Company also imports, manufactures, distributes and sells various iconic Diageo brands such as Haig Gold Label, Captain Morgan, Johnnie Walker, J&B, Baileys, Lagavulin, Talisker, VAT 69, Black & White, Smirnoff and Ciroc in India under different licensing agreements.

(Source: http://www.diageoindia.com/Investor_carppres/1144497898Investors%20updates%20on%20USL%20F17%20presentation%20with%20Script.pdf)

Your Company has a strong distribution network, and its route to consumer is superior in the industry with almost 1 in every 2 branded spirits bottles being sold in India coming from the Company's portfolio.

Diageo plc holds a 54.78% shareholding in your Company. Post takeover by Diageo, your Company set out the vision to become the Best Performing, Most Trusted and Respected Consumer Goods Company in India. For this, it has been working on a five-point agenda viz.,:

1. Strengthen & Accelerate core brands
2. Evolve route to consumer
3. Drive out cost to invest in growth and expand margins
4. Lead USL and industry towards the highest ideals of corporate citizenship
5. Creating a future-ready organisation

Your Company has been striving hard with a strong focus on premiumisation and at the same time also trying to maximise value from brands in the popular segment.

Strengths

- Your Company has 15 brands in its portfolio which sell more than a million cases every year, of which 2 brands sell more than 10 million cases each annually. The Company's exports business is also growing.
- Your Company boasts of pan-India manufacturing presence with 52 facilities and robust distribution network of more than 85,000 outlets, which provide access to vendors, suppliers and distributors.
- With high brand equity and significant market share, your Company is able to have a significant influence on industry issues through representations made on behalf of the industry.
- Your Company has a wide range of portfolio spanning across categories of Scotch whisky, IMFL whisky, brandy, rum, vodka, gin and wine; and in various price points from Luxury, Premium, Prestige to Popular.
- Your Company's rich heritage ensures long-lasting relationships with most of the raw material suppliers, which enables it to ensure uninterrupted procurement at competitive rates. This, in turn, helps the Company to ensure continuous production and supply of its products through the length and breadth of the country.
- The in-house Technical Centre and its tie-up with the global giant Diageo, enables your Company to

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

undertake research on new products, analytics and sensory sciences, process R&D, special spirits and flavour management. Your Company's professional team of expert scientists work constantly with perseverance to renovate the portfolio. The strong marketing team creates impactful communication to convey the renewed brand salience.

Your Company's workforce of over 4,000 employees is the key strength in achieving the goals laid down by the Company. Our team has enabled us to emerge as the leading player in the industry, despite facing various industry tailwinds.

F. Business performance

Your Company's transformational journey to improve operations under the new leadership of Diageo post 2014, encompasses a strategic road map covering five strategic pillars to steer its future growth trajectory. These are :

1. Strengthen and accelerate core brands

Your Company has embarked on a long-term plan to not just grow revenues year-on-year by increasing market share but to also grow the categories that we play in significantly through expanding areas of consumption as well as providing new flavors/ accessible spirits. This includes a heightened drive at key accounts or premium on-premise venues as well as the channel of wedding & banquets. Signature, McDowells, Captain Morgan were the key brands around which communication was entered to enhance brand image and recall. Your Company continued to invest in its power brands and increased its marketing investment by 18% in the financial year ended March 31, 2018 to win across each of the 3 India's - Affluent, Middle and Aspiring population. Power brands like McDowell's No. 1. Whiskey, Royal Challenge and Signature witnessed purpose led campaigns and bespoke consumer winning activations. These campaigns included McDowell's Yaari jam, a musical campaign, which was rolled out in five regional languages across 7 cities. McDowell's No1 Luxury variant (launched to tap into a distinct consumer taste preference) grew by 103% crossing the 2 million cases mark in just the 2nd year of launch and thus added about 6% growth to the McDowell's No. 1 whisky franchise.

Renovated mix of McDowell's No1 Platinum is ready for launch in market and is expected to further strengthen the portfolio with a strong step-up proposition and bring the variant back on a growth path. Post the success of its first edition, Signature Start-up Masterclass platform was further scaled up. The platform which features passion-to-paycheck stories of successful individuals brought the brand purpose to life. Royal Challenge game nights were launched during the IPL season to drive consumer engagement in the on-premise channel. The launch of Captain Morgan "Original Rum" created a new offering in the rum segment on a national level. The campaign involved on-premise trials at mass, brand building through Captain-hijack at events and bars and in-shop displays. Your Company's strong endeavour to strengthen and accelerate its core brands has led to successful premiumisation of its portfolio. This is reflected in an increase in contribution of the Prestige and above segment from 53% of net sales in the financial year ended March 31, 2016, to 63% of net sales in the financial year ended March 31, 2018.

2. Evolve route to consumer

Given the prohibition on liquor advertising, your Company is focusing on leveraging retail outlets to strengthen its brand equity in the Luxury, Premium and Prestige categories. Your Company endeavours to capture consumer attention using preferential placements in outlets and better visual appeal and customer recall. Your Company collaborated with start-ups, invested in party and night-life content ecosystem and increased spends on digital media to increase its consumer reach. Your Company continued to build extensive brand imagery using on-premise / off-premise channels like #jw paint the world black. Various other consumer winning activations were undertaken to connect better with the consumer.

3. Drive out costs to invest in growth

During the financial year ended March 31, 2018, your Company was able to drive productivity across all line items in the profit and loss account. There are initiatives to create more efficient trade spends under NRM program (Net Revenue Management), marketing efficiency and effectiveness for above-the-line spends as well as better overhead management in terms of creating a fit-for-purpose organization across each function as well as by reducing operating overheads. On the cost front, a strong pipeline has been created

on each line item in materials, manufacturing and logistics to counter inflation with benefits accruing not just in financial year 2018 but also in the coming years. There has been an additional effort in financial year 2018 to counter the impact of GST on most of the cost line items (excluding ENA) including overheads, which will need to be sustained in the long run. Similarly, loan repayment and reduction in cost of debt led to interest cost savings. Your Company successfully invested these savings in future growth.

4. Corporate citizenship

Your Company continued to be the leader in shaping the regulatory landscape and conform to the highest compliance and governance standards. We are on course to become a responsible marketeer of alcobev products. Your Company undertook a host of innovative initiatives to influence public policy. We continued to promote the cause of road safety, responsible drinking and women's empowerment. Your Company contributed to community building by opening 10 water ATMs in 10 villages of Nagpur providing 12,500 litres per hour. To further the cause of women empowerment your Company also conducted entrepreneurial skills training in Hyderabad in the fields of finance, management and costing.

5. Creating a winning organisation

Your Company is working to automate and simplify all systems and processes to create a winning organization. Your Company has enhanced its capabilities in digital, corporate relations, legal and compliance. Smooth integration with Diageo, its investment in shared service centre and intent to attract best-in-class talent pool are right steps in developing a future-ready organisation.

G. Operating model changes through Franchising

During the year under review, your Company continued to selectively participate in the Popular segment and entered into franchise agreements for manufacturing and distribution of the franchised brands in their respective states. Your Company will earn royalty fee in these states from such franchising. The franchisee agreements are for periods from 3 to 5 years.

During the financial year ended March 31, 2018, your Company entered into agreements to franchise Popular segment brands in eight states namely, Chandigarh, Rajasthan, Madhya Pradesh, Himachal Pradesh, Jammu and Kashmir, Delhi, Sikkim and Uttar Pradesh. These additions took the total count of states wherein franchise model is in practice to 13 states.

These changes in the operating model enable your Company to focus on its key brands.

Out of the retained Popular segment business, the net sales in the priority states grew by 2% during the year ended March 31, 2018.

H. Business Review - Revenue and revenue mix

Your Company has delivered strong growth despite a challenging environment in the last couple of years. Our portfolio is uniquely positioned to access the high growth opportunities that the Indian market provides. Your Company has been relentlessly striving to achieve double-digit top-line growth and improve organic operating margin to mid-high teens. To achieve this, your Company is putting in all possible efforts to strengthen and accelerate its core brands, upgrade its route to consumer strategy and leverage economies of scale. At the same time, your Company has remained committed to the highest ideals of corporate citizenship. Its integration with Diageo brand portfolio has enabled your Company to establish leadership in terms of both volume and value.

Your Company has strengthened its entire portfolio through a mix of rationalisation and renovation. Prestige and above brands which represent about 63% of net sales are the core focus of your Company, wherein it has laid emphasis on renovation to keep pace with evolving consumer tastes. Your company's robust performance in the Prestige and Above segment is reflective of its commitment and success of the premiumisation strategy. At the same time, your Company has ensured that it has maximised value gains in the Popular segment as well.

During the year under review, your Company achieved a sales volume of 78.5 million cases as against 90 million cases in the previous year. Your Company's net sales stood at about ₹ 81,700 million in the financial year ended March 31, 2018, as against about ₹ 85,480 million in the previous year. Barring one off events like the impact of operating model changes, Supreme Court ban on the sale of liquor on highways, changes in route to market in different states and implementation of GST, volumes declined 2% with

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

net sales increasing 1% led by extensive price increases in more than half of the states and focus on premiumisation.

The Prestige & Above segment represented 47% of total volumes and 63% of total net sales during the financial year ended March 31, 2018, as against 41% and 58% respectively, in the previous year. The Prestige and Above segment's net sales were up 3% with positive price/mix. Excluding the one-off impact of operating model changes, net sales grew by 4%. Extensive price increase in majority of the states coupled with continued focus on premiumisation and brand renovation led to positive price/ mix. Sales growth in the segment was supported by the continued success of brand renovations including McDowell's No. 1 whiskey, Royal Challenge and Signature. The segment reported 3% volume growth. Power brands like McDowell's No. 1. Whiskey, Royal Challenge and Signature delivered robust net sales growth largely driven by purpose led campaigns and bespoke consumer winning activations. Your Company launched Captain Morgan "Original Rum" in the rum segment which witnessed strong momentum post its national roll out.

The Popular segment represented 53% of total volumes and 37% of total net sales during the financial year ended March 31,2018, as against 59% and 42% volume and value contribution respectively, in the previous financial year. The Popular segment's net sales declined 16% and volume declined 22%, mainly due to the one-off impact of operating model changes. Excluding this one-off impact, net sales declined 4% while volume declined 7%. Net sales of the Popular segment in priority states grew by 2%.

I. Net Debt

Your Company's net debt stood at ₹ 32,650 million as on March 31, 2018. Your Company made its maiden issue of Non-Convertible Debentures amounting to ₹ 7,500 million to refinance existing higher cost debt of ₹ 5,000 million resulting in an increase in long-term debt. Your Company used profit from operations, proceeds from sale of non-core assets and reduction in working capital to repay its loans amounting to ₹ 10,560 million. This reduction in debt together with renegotiation of borrowing rates and a favourable mix of debt reduced the total interest cost by ₹ 1,080 million during the financial year.

Significant improvement in your Company's overall financial flexibility, corporate governance and compliance framework has led to further improvement in our credit rating. During the year, ICRA Limited upgraded the Long Term Rating from "A+" to "AA" with positive outlook, while the Short Term Rating was reaffirmed at "A1+" which is the highest possible rating in that category. These improved ratings will enable the Company to access more economical sources of debt leading to lower interest cost and increased shareholder value.

J. OUTLOOK

Your Company remains the leader in India's alcobev industry by virtue of strong portfolio and benefits from the guidance of Diageo PLC, the Company's holding Company. Diageo has initiated steps to turnaround the Company with changes at management & distribution levels, revamp of brand promotions strategy, enhanced supply chain efficiency, focusing on lean portfolio, engaging with the government and improving work culture. Also, the success of Diageo's premiumisation strategy is reflected in market share gains by McDowell's. The Signature brand also recorded a strong performance; despite the highway ban post its re-launch. Your Company has similar expectations from Antiquity re-launch. Your Company looks on track to deliver on its medium-term goal of delivering double-digit topline growth and achieve mid-high teens EBITDA margins led by better pricing and cost optimization. Your Company's move on focus towards the franchisee model in the Popular segment with successful implementation in 13 states has been well received. This move will ensure stability of margins in the segment, reduce working capital requirements and enable management to focus on higher margin products. Regulatory overhangs will continue to pose challenges for the alcohol industry; however as seen in the past, your Company is well equipped to overcome any such challenges.

K. RISKS & CONCERNS, OPPORTUNITIES & THREATS

Risks & Concerns

- The industry is exposed to multiple regulatory risks emanating from state taxes, adverse ruling from courts and changes in regulations with respect to pricing, licensing, working of operating facilities, manufacturing processes, marketing, advertising and distribution
- Increased tendency towards prohibition in an election year.
- Another concern emerges from the dependence on

state governments to get price increases. Margins may get severely impacted in case of inflation in raw material costs or any increase in cost due to change in regulations.

- Significant changes in route to market strategies by various state governments pose a concern on establishing distribution network with new intermediaries. This also poses credit risk in case the existing distributors default due to the closure of their respective businesses
- Prohibition in certain states poses a threat to legitimate sales and gives rise to inter-state smuggling impacting industry growth. This may also lead to a proliferation of country liquor sales in absence of / curtailed availability of branded products.
- The Company continues to work to promote responsible drinking and to mitigate risks due to drinking and driving through its 'Responsible Drinking' initiatives as highlighted in the CSR Report appearing in Annexure 7 of the Directors' Report, showcasing the corporate social responsibility initiatives of the Company.

L. Opportunities

- Your Company's strong focus on premiumisation coupled with rising disposable income and evolving consumer lifestyles presents significant opportunity to grow sales and expand margins
- Franchise model with fixed fee arrangement in specific states will aid margin expansion with low working capital needs. Your Company can expand the implementation of this model in other states especially for its Popular segment brands.
- Renovation and revamping of key brands to upgrade them in the Prestige and Above segment presents opportunities to expand margins
- Strong focus on accomplishment of medium-term vision and adherence to Diageo policies is likely to aid your Company's sales and margins
- Low per capita consumption, rapid urbanisation, favourable macroeconomic indicators, higher disposable incomes and evolving lifestyles bode well for the industry as a whole
- Increasing conversion from country liquor to branded IMFL given health issues associated with country liquor consumption present growth opportunity especially for your Company's Popular segment brands

M. Threats

- Strict imposition of distribution strategies by states pose a threat to existing distribution network
- High competitive intensity in the segment due to lucrative growth prospects of the industry
- High pricing control by states pose a threat to margin
- Proliferation of spurious liquor consumption poses a threat to growth of the Popular segment brands

N. INTERNAL CONTROL SYSTEMS

Your Company has clearly laid down policies, guidelines and procedures keeping in mind the nature, size and complexity of business operations. Your Company maintains a proper and adequate system of internal controls with well-defined policies, systems, process guidelines, and operating procedures. Your Company ensures strict adherence to various procedures, laws, rules and statutes. Internal Audit is periodically conducted on these areas. The Board closely oversees the business operations on a regular basis. MIS systems are effectively used to keep all expenses within budgetary allocations and corrective measures are promptly undertaken in case of any variance.

ANNEXURE 1

Details of Subsidiaries, Associates and Joint Ventures

Form AOC 1

(Pursuant to the provisions of Section 129(3) of the Act, read with Rule 5 of Companies (Accounts) Rules, 2014 Statement containing as on March 31, 2018 salient features of the financial statement of subsidiaries/associate companies/joint ventures)

Part A: Subsidiaries

Sl. No.	Name of the Subsidiary	Financial year ended	Curr ency	Closing exch rate	Average exch rate	Share capital	Reserves & surplus	Total assets	Total liabilities	Invest-ments	Turn over	Profit/ (loss) before taxation	Provision for taxation	Profit/ (loss) after taxation	Proposed dividend	% of share holding	Country
1	Asian Opportunities & Investments Limited (AOIL)	31-03-18	USD	65.56	65.20	328	(1,083)	29	784	-	-	(67)	-	(67)	-	100	Mauritius
2	Palmer Investment Group Limited (PIG)	31-03-18	USD	65.56	65.20	983	(1,060)	5	82	-	-	4	-	4	-	100	British Virgin Islands
3	Tern Distilleries Private Limited (Tern)	31-03-18	INR	1		1,027	(780)	279	32	-	1	(63)	-	(63)	-	100	India
4	Shaw Wallace Overseas Limited (SWOL)	31-03-18	GBP	91.78	84.76	33	(14)	20	1	-	-	(1)	-	(1)	-	100	U.K.
5	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL))	31-03-18	USD	65.56	65.20	-	3	4	1	-	-	(10)	-	(10)	-	100	Jersey Islands
6	Montrose International S.A. (MI)	31-03-18	USD	65.56	65.20	33	(32)	2	1	-	-	(82)	-	(82)	-	100	Panama
7	USL Holdings Limited (UHL)	31-03-18	USD	65.56	65.20	33	(56,137)	591	56,695	-	-	(404)	-	(404)	-	100	British Virgin Islands
8	USL Holdings (UK) Limited (UHUKL)	31-03-18	GBP	91.78	84.76	-	(55,840)	262	56,101	-	-	6,165	-	6,165	-	100	U.K.
9	United Spirits (UK) Limited (USUKL)	31-03-18	GBP	91.78	84.76	-	(24,140)	206	24,346	-	-	(31)	-	(31)	-	100	U.K.
10	United Spirits (Great Britain) Limited (USGBL)	31-03-18	GBP	91.78	84.76	-	(24,116)	215	24,332	-	-	(30)	-	(30)	-	100	U.K.
11	Four Seasons Wines Limited (FSWL)	31-03-18	INR	1		663	(1,336)	521	1,194	-	156	(118)	2	(120)	-	100	India
12	McDowell & Co. (Scotland) Limited (MSL)	31-03-18	GBP	91.78	84.76	145	(74)	390	320	-	-	16	(24)	40	-	100	Scotland
13	Royal Challengers Sports Private Limited (RCSPL)	31-03-18	INR	1		-	62	5,043	4,981	-	1,469	(181)	(563)	382	-	100	India
14	Liquidity Inc. (LI)	31-03-18	USD	65.56	65.20	-	(206)	72	278	-	-	(2)	-	(3)	-	51	USA
15	United Spirits (Shanghai) Trading Company Limited (USSTCL)	31-03-18	RMB	10.394	9.72	52	(69)	2	19	-	-	(1)	-	(1)	-	100	China
16	Sovereign Distilleries Limited (SDL)	31-03-18	INR	1		4,851	(4,591)	460	200	1	11	(120)	-	(120)	-	100	India
17	Pioneer Distilleries Limited (PDL)	31-03-18	INR	1		134	122	5,918	5,662	-	3,047	1,018	318	700	-	75	India
18	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd) (USSTPL)	31-03-18	USD	65.56	65.20	-	1	12	11	-	-	(4)	-	(4)	-	100	Singapore

Notes:

1. Closing exchange rate is applied for share capital, reserves and surplus, total assets, total liabilities and investments. Average exchange rate is applied for turnover, profit / (loss) before taxation, profit / (loss) after taxation, and proposed dividend. All amounts are in INR million.
2. Names of subsidiaries which are yet to commence operations: Nil.
3. United Spirits Nepal Private Limited ceased to be the subsidiary of USL during the year.

ANNEXURE 1 *(CONTINUED)*

Part B: Associates and Joint Ventures

Sl. No.	Name of Associates/Joint Ventures	Wine Society of India Pvt Ltd
1	Latest audited Balance Sheet Date	31 March 2017
2	Shares of Associates/Joint Ventures held by the Company on the year end	
	(Number)	324,812
	Amount of Investment in Associates/Joint Venture	INR 31,817,712
	Extent of holding %	33.32
3	Description of how there is significant influence	The shareholding in Wine society of India Private Limited # is more than 20% due to which there is a significant influence
4	Reason why the associate/joint venture is not consolidated	The investment in associate is accounted as per Ind AS
5	Net worth attributable to Shareholding as per latest audited Balance sheet	NIL. The loss in the associates exceeds the carrying value of the investment.
6	Profit/ Loss for the year	
	i. Considered in Consolidation	Nil
	ii. Not considered in Consolidation	INR 13,053,870

Winding up petition filed and the company is in the process of liquidation

1. Names of associates or joint ventures which are yet to commence operations: Nil
2. Names of associates or joint ventures which have been liquidated or sold during the year: Nil

On June 25, 2018, USL has acquired 26% of the paid-up equity share capital of **Hip Bar Private Limited**, making it an associate of USL.

By Authority of the Board

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director and Chief Executive Officer

Sanjeev Churiwala
Executive Director and
Chief Financial Officer

V. Ramachandran
Company Secretary

Edinburgh, Scotland
July 23, 2018

ANNEXURE 2

Related PartyTransactions

FORM AOC 2

(Pursuant to section 134(3)(h) of the Act, and rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Section 188(1) of the Companies Act, 2013 including certain arm's length transactions under the fourth proviso thereto.

a) Details of Contracts or transactions not at arm's length basis: The details of contracts or arrangements or transactions not at arm's length basis for the year ended March 31, 2018 are as follows:

Sl. No.	Name of the related Party	Nature of Contract/ Arrangement/ Transaction	Nature of Relationship	Date on which resolution was passed*	Duration of Contract/ Arrangement/ Transaction	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
1	Diageo Great Britain Limited (DGBL)	Funding support for product marketing related innovation projects	Fellow subsidiary	23-Jul-2017	One time	DGBL partly funded the innovation activities relating to product packaging/ design and other product marketing related research (not exceeding GBP 1 million)	Beneficial to USL's interest	Nil

*represents resolution passed by Audit Committee/Board

b) (i) Details of Material Contracts or transactions at arm's length basis: The details of material contracts or arrangements or transactions at arm's length basis and in the ordinary course of business for the year ended March 31, 2018 are as follows:

(Amount in INR)

Sl. No.	Name of the related Party	Nature of Contract/ Arrangement/ Transaction	Nature of Relationship	Date on which resolution was passed*	Duration of Contract/ Arrangement/ Transaction	Salient Terms (Transaction value)	Justification	Amount Paid as Advance if any
1	Diageo Brands BV	Purchase of stock-in-trade and materials	Fellow subsidiary	9-Jan-2015	Perpetual	Arm's length transaction (2017-18: INR 1,597 million)	License to manufacture and/ or sale Diageo brands	Nil
2	Pioneer Distilleries Limited	Transactions as TMU and purchase of materials	Subsidiary	14-Jul-2016	Till March 2019	Arm's length transaction (2017-18:INR 4,717 million)	Bottling USL brands and sourcing raw materials	INR 1,477 million
3	Diageo Scotland Limited	Purchase of bulk scotch spirits and blended scotch whisky	Fellow subsidiary	25-Oct-2017	Perpetual	Arm's length transactions (2017-18: Nil)	Purchase of bulk scotch spirits and blended scotch whisky	Nil

*represents resolution passed by Audit Committee/Board

ANNEXURE 2 *(CONTINUED)*

Notes:

1. Special resolution under first proviso to Section 188 of the Act is not required as the related party transactions are within the specified limits.
2. Material Contracts or Transactions are defined as 'Material Companies Act Related Party Transaction' in Company's RPT Policy.

(ii) Details of loans, advances and investments by the Company in its subsidiary and Associate Companies (as required under Regulation 34(3) and 53(f) of SEBI (LODR) Regulations, 2015 read with Schedule V Para A2 have been disclosed in Notes to the Audited Financial Statements for the year ended March 31,2018.

By Authority of the Board

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director and
Chief Executive Officer

Sanjeev Churiwala
Executive Director and
Chief Financial Officer

V. Ramachandran
Company Secretary

Edinburgh, Scotland
July 23, 2018

ANNEXURE 3

FORM NO. MR-3
SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members,
United Spirits Limited
Bangalore

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by United Spirits Limited (CIN: L01551KA1999PLC024991) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2018, complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by United Spirits Limited ("the Company") for the financial year ended on March 31, 2018 according to the provisions of:

i. The Companies Act, 2013, (the Act) and the rules made thereunder;
ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
iii. The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;
iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act');
   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (No instances for compliance requirements during the year);
   (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (No instances for compliance requirements during the year);
   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (No instances for compliance requirements during the year);
   (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
   (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (No instances for compliance requirements during the year);
   (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998, (No instances for compliance requirements during the year); and
   (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
vi. Various State Excise Laws relating to alcohol and related industry;
vii. Legal Metrology Act, 2009 and Rules thereunder;
viii. Food Safety and Standards Act, 2006 and Rules and Regulations made thereunder;
ix. The Environment (Protection) Act, 1986 and Rules thereunder;

ANNEXURE 3 *(CONTINUED)*

x. The Water (Prevention & Control of Pollution) Act, 1974;
xi. The Air (Prevention & Control of Pollution) Act, 1981;
xii. The Factories Act, 1948 and Rules thereunder;
xiii. All other Labour, Employee and Industrial Laws to the extent applicable to the Company.

I have also examined compliance with the applicable clauses of Secretarial Standards issued by the Institute of Company Secretaries of India.

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, standards, etc. as mentioned above wherever applicable.

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices were given to all Directors to schedule the Board meetings, agenda and detailed note on agenda were sent at least seven days in advance and wherever sent at shorter period, the requisite consent from the directors was obtained and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

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

1. During the year the Company has issued and allotted 7500 (Seven Thousand Five Hundred) rated unlisted unsecured redeemable non-convertible debentures each having face value of ₹1,000,000/- (Rupees One Million) of the aggregate nominal value of ₹ 7,500,000,000 (Rupees Seven Thousand Five Hundred Million) on private placement basis.
2. The Company had secured the approval of the Reserve Bank of India under the Foreign Exchange Management Act, 1999, in respect of the sale of shares in United Spirits Nepal Private Limited (USNPL). Following the receipt of other relevant regulatory approvals and fulfilment of other conditions precedent, on February 28, 2018, the Company completed the sale of all the 67,716 equity shares held by it in USNPL.
3. In relation to its inspection conducted under section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013 to which the Company had responded. The Company has received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. The Company thereafter filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and requested the Registrar to drop one show cause notice.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040
C. P. No. : 6137

Place: Bengaluru
Date: July 23, 2018

ANNEXURE 4

FORM MGT-9
EXTRACT OF ANNUAL RETURN
As on March 31, 2018

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

A. Registration and Other Details:

Particulars	Details
CIN	L01551KA1999PLC024991
Registration date	31/03/1999
Name of the Company	United Spirits Limited
Category/Sub-Category of the Company	Company Limited by Shares Indian Non Government Company
Address of the Registered office and contact details	'UB TOWER' # 24, Vittal Mallya Road, Bengaluru Karnataka - 560001 Phone: +91 80 39856500 E-mail : investor.india@diageo.com Website: www.diageoindia.com
Whether listed company Yes / No	Yes
Name, Address and Contact details of Registrar and Transfer Agent, if any	Integrated Registry Management Services Private Limited (Formerly known as Integrated Enterprises (India) Limited) No. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengalore - 560003 Tel: (080)23460815-818 Fax: (080)23460819

B. Principal Business Activities of the Company:

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Distilling, rectifying and blending of spirits; ethyl alcohol production from fermented material	1101	99.98
	Total		**99.98**

C. Particulars of Holding, Subsidiary and Associate Companies:

Sl. No.	Name of the Company	Address of the Company	CIN/GLN/Identification No.	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
1	Relay BV	Molenwerf – 10-12, 1014, BG, Amsterdam, Netherlands	NA	Holding Company	54.78	2(46)
2	Asian Opportunities & Investments Limited (AOIL)	IFS Court, Twenty Eight, Cybercity, Ebene, Mauritius	22752/5112	Subsidiary Company	100	2(87)
3	Palmer Investment Group Limited (PIG)	Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands	447034	Subsidiary Company	100	2(87)

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Company	Address of the Company	CIN/GLN/Identification No.	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
4	Tern Distilleries Private Limited (Tern)	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&G2 Greenlands, Begumpet Hyderabad Hyderabad TG 500016 IN	U15532TG1999PTC031318	Subsidiary Company	100	2(87)
5	Shaw Wallace Overseas Limited (SWOL)	Lakeside Drive, Park Royal, London, England, NW10 7HQ	283393	Subsidiary Company	100	2(87)
6	UB Sports Management Overseas Limited (Formerly known as JIHL Nominees Limited (JIHL)	Ordnance House, 31 Pier Road St Helier , JE4 8PW	61000	Subsidiary Company	100	2(87)
7	Montrose International S.A (MI)	EdificioVallarino Penthouse, Calle 52 Y ElviraMendez, Ciudad De Panama, R.P	3147	Subsidiary Company	100	2(87)
8	USL Holdings Limited (UHL)	Sea Meadow House, PO Box 116, Road Town, Tortola, VG1110 BritishVirginIslands	1385373 (BVI)	Subsidiary Company	100	2(87)
9	USL Holdings (UK) Limited (UHUKL)	Lakeside Drive, Park Royal, London, England, NW10 7HQ	6127302	Subsidiary Company	100	2(87)
10	United Spirits (UK) Limited (USUKL)	Lakeside Drive, Park Royal, London, England, NW10 7HQ	6127303	Subsidiary Company	100	2(87)
11	United Spirits (Great Britain) Limited (USGBL)	Lakeside Drive, ParkRoyal, London,England, NW107HQ	6127260	Subsidiary Company	100	2(87)
12	Four Seasons Wines Limited (FSWL)	UB Tower,#24,Vittal Mallya Road, Bengaluru, Karnataka-560001	U15549KA2006PLC039931	Subsidiary Company	100	2(87)
13	Pioneer Distilleries Limited (PDL)	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/ G1 & G2 Greenlands, Begumpet Hyderabad- TG 500016 IN	L24116TG1992PLC055108	Subsidiary Company	75	2(87)
14	McDowell & Co (Scotland) Limited (MCSL)	Edinburgh Park, 5 Lochside Way, Edinburgh, Scotland, EH12 9DT	SC 145242	Subsidiary Company	100	2(87)
15	Sovereign Distilleries Limited (SDL)	Roxana Towers, Ground Floor, M.No.7-1-24/1/RT/G1&G2 Greenlands, Begumpet Hyderabad TG 500016 IN	U15511TG2001PLC036282	Subsidiary Company	100	2(87)

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Company	Address of the Company	CIN/GLN/Identification No.	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
16	Liquidity Inc. (LI)	2711 Centerville Road, Suite 400, Wilmington, Delaware 19808	-	Subsidiary Company	51	2(87)
17	United Spirits (Shanghai) Trading Company Limited (USSTCL)	Unit 215, Xinxing Building, No. 8, Jia Feng Road, Wai Gao Qiao Free Trade Zone, Shanghai, China	(S.W.Z.H.D.Z.Z. [2007] No. 1153)	Subsidiary Company	100	2(87)
18	Royal Challengers Sports Private Limited (RCSPL)	'UB Tower', # 24, Vittal Mallya Road, Bengaluru, Karnataka-560001	U92400KA2008PTC045565	Subsidiary Company	100	2(87)
19	United Spirits Singapore Trading Pte Ltd (Formerly known as Whyte and Mackay Singapore Pte Ltd) (USSTPL)	9 Battery Road, #15-01 Straits Trading Building, Singapore 049910	201216632N	Subsidiary Company	100	2(87)
20	Wine Society of India Pvt. Ltd* (WSIPL)	005, CNB Square, Sangam Cinema Complex, 127 Andheri Kurla Road, Andheri (E), Mumbai - 400059.	U51228MH2006PTC162593	Associate Company	33.33	2(6)

*in the process of being wound up

D. Shareholding Pattern (Equity Share capital Break up as % to total Equity as on 31st March, 2018)

(i) **Category wise Shareholding**

Category of Share Holders	No. of Shares held at the beginning of the year (As on 01.04.2017)				No. of Shares held at the end of the year (As on 31.03.2018)				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	12,510	0	12,510	0.01	12,510	-	12,510	0.01	0.00
(ii) Central Govt.	0	0	0	-	0	0	0.00	0.00	0.00
(iii) State Govt.(s)	0	0	0	-	0	0	0.00	0.00	0.00
(iv) Bodies Corp.	5,359,573	0	5,359,573	3.69	5,359,573	0	5,359,573	3.69	0.00
(v) Banks/FIs	0	0	0	-	0	0	0.00	0.00	0.00
(vi)Any other	0	0	0	-	0	0	0.00	0.00	0.00
SUB TOTAL (A)(1)	**5,372,083**	**0**	**5,372,083**	**3.70**	**0**	**0**	**5,372,083**	**3.70**	**0.00**
(2) Foreign									
a) NRI- Individuals	0	0		0.00	0	0	0.00	0.00	0.00
b)Other-Individuals	0	0	0	0.00	0	0	0.00	0.00	0.00
c) Bodies Corp.	79,612,346	0	79,612,346	54.78	79,612,346	0	79,612,346	54.78	0.00
d) Banks/FI	0	0	0	0.00	0	0	0.00	0.00	0.00
e) Any other…	0	0	0	0.00	0	0	0.00	0.00	0.00
SUB TOTAL (A)(2)	**79,612,346**	**0**	**79,612,346**	**54.78**	**79,612,346**	**0**	**79,612,346**	**54.78**	**-**
Total Share holding of Promoter (A)= (A)(1)+(A)(2)	**84,984,429**	**0**	**84,984,429**	**58.48**	**84,984,429**	**0**	**84,984,429**	**58.48**	**0.00**

ANNEXURE 4 *(CONTINUED)*

Category of Share Holders	No. of Shares held at the beginning of the year (As on 01.04.2017)				No. of Shares held at the end of the year (As on 31.03.2018)				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	7,698,423	550	7,698,973	5.29	5,956,513	550	5,957,063	4.10	-1.20
b) Banks/FI	125,802	11,227	137,029	0.09	41,094	11,161	52,255	0.04	-0.06
c) Central Govt.	27,439	-	27,439	0.02	-	-	-	-	-0.02
d) State Govt.(s)	0	7,521	7,521	0.01	0	7,521	7,521	0.01	-
e) Venture Capital Fund	0	0	0	-	-	-	-	-	-
f) Insurance Companies	0	0	0	-	0	0	-	-	-
g) FIIS	32,053,569	2003	32,055,572	22.06	33,844,009	1,893	33,845,902	23.28	1.23
h) Foreign Venture	-	-	-	-	-	-	-	-	-
i) Others (specify) QFI	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1)	**39,905,233**	**21,301**	**39,926,534**	**27.47**	**39,841,616**	**21,125**	**39,862,741**	**27.43**	**-1.04**
(2) Non Institutions									
a) Bodies corporate									
i) Indian	6,788,275	42,764	6,831,039	4.70	3,238,314	35,142	3,273,456	2.25	-2.45
ii) Overseas	-	-	-			-			
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 2 lakhs	7,557,552	1,721,956	9,279,508	6.39	6,350,601	1,370,162	7,720,763	5.30	-1.07
ii) Individuals shareholders holding nominal share capital in excess of ₹2 lakhs	2,218,779	-	2,218,779	1.53	3,687,380	-	3,687,380	2.54	1.01
iii) Others	600,117	-	600,117	0.41	228,978	-	228,978	0.16	
Trust	1,121,274	-	1,121,274	0.77	4,647,317	-	4,647,317	3.20	2.43
NRI	0	-	0	-	-	-	-	-	-
Clearing Member	366,063	-	366,063	0.25	153,180	-	153,180	0.11	-0.15
Overseas Corporate Bodies	0	-	0	-	-	-	-	-	-
Unclaimed Suspense Account	0	-	0	-	204,293	-	204,293	0.14	0.14
IEPF	-	-	-	-	565,206	-	565,206	0.39	0.39
SUB TOTAL (B)(2)	**18,652,060**	**1,764,720**	**20,416,780**	**14.05**	**19,075,269**	**1,405,304**	**20,480,573**	**14.09**	**0.30**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**58,557,293**	**1,786,021**	**60,343,314**	**41.52**	**58,916,885**	**1,426,429**	**60,343,314**	**41.52**	**0.26**
Shares held by Custodian for GDRs & ADRs	-	0	-	-	0	0	0	-	-
Sub Total (C)	-	0	-	-	0	0	0	-	
Grand Total (A+B+C)	**143,541,722**	**1,786,021**	**145,327,743**	**100**	**143,901,314**	**1,426,429**	**145,327,743**	**100**	**0.26**

ANNEXURE 4 *(CONTINUED)*

(ii) **Shareholding of Promoters**

Sl No.	Promoter's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	No. & % of shares pledged / encumbered to total shares	No. of shares	% of total shares of the company	No. & % of shares pledged/ encumbered to total shares	
1	Devi Investments Private Limited	2,700	0.00		2,700	0.00		0.00
2	Kingfisher Finvest India Limited	1,173,180	0.81	0.70	1,173,180	0.81	0.70	0.00
3	Relay Bv	79,612,346	54.78		79,612,346	54.78		0.00
4	Mallya Private Limited	1,005	0.00		1,005	0.00		0.00
5	Rossi And Associates Private Limited	35,112	0.02		35,112	0.02		0.00
6	United Breweries Holdings Limited	4,116,306	2.84	1.13	4,116,306	2.84	1.13	0.00
7	Vijay Mallya	12,510	0.01		12,510	0.01		0.00
8	Vittal Investments Private Limited	31,270	0.02		31,270	0.02		0.00
	Total	**84,984,429**	**58.48**	**1.83**	**84,984,429**	**54.48**	**1.83**	0.00

(iii) **Change in Promoter's Shareholding (Promoter wise) including Date wise increase / decrease in each of the Promoter's Shareholding during the year specifying the reasons for increase / decrease**

There has been no change in the Promoter Shareholding during the Financial Year 2017-18. During May, 2018 the Promotes holding shares in sl. no. 1, 2, 4 - 8 got reduced from 3.70% to 1.98% of the total paid-up share capital.

(iv) **Shareholding Pattern of top ten Shareholders (other than Directors & Promoters *and Holders of GDRs and ADRs)***

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2017		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2017-18	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	CARMIGNAC GESTION A/C CARMIGNAC PATRIMOINE	32,86,125	2.26	*01.04.2017*	0	NA	32,86,125	2.26
				21.07.2017	245239	BOUGHT	35,31,364	2.43
				25.08.2017	-31153	SOLD	35,00,211	2.41
				16.02.2018	-16541	SOLD	34,83,670	2.40
				31.03.2018	0		34,83,670	2.40
2	CLSA GLOBAL MARKETS PTE. LTD.	2403792	1.65	*01.04.2017*	0	NA	24,03,792	1.65
				07.04.2017	3408	BOUGHT	24,07,200	1.66
				21.04.2017	-449	SOLD	24,06,751	1.66
				12.05.2017	-2583	SOLD	24,04,168	1.65
				21.07.2017	6722	BOUGHT	24,10,890	1.66
				03.11.2017	-111240	SOLD	22,99,650	1.58
				10.11.2017	-10684	SOLD	22,88,966	1.58
				01.12.2017	-41721	SOLD	22,47,245	1.55
				15.12.2017	-38533	SOLD	22,08,712	1.52
				22.12.2017	-33013	SOLD	21,75,699	1.50
				29.12.2017	19434	BOUGHT	21,95,133	1.51
				31.03.2018	0		21,95,133	1.51

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2017		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2017-18	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
3	RELIANCE CAPITAL TRUSTEE CO. LTD-A/C RELIANCE CAPI	2269872	1.56	*01.04.2017*	0	NA	22,69,872	1.56
				07.04.2017	7034	BOUGHT	22,76,906	1.57
				14.04.2017	-131753	SOLD	21,45,153	1.48
				21.04.2017	-171064	SOLD	19,74,089	1.36
				28.04.2017	31563	BOUGHT	20,05,652	1.38
				05.05.2017	37968	BOUGHT	20,43,620	1.41
				12.05.2017	-9782	SOLD	20,33,838	1.40
				19.05.2017	13218	BOUGHT	20,47,056	1.41
				26.05.2017	2190	BOUGHT	20,49,246	1.41
				02.06.2017	97776	BOUGHT	21,47,022	1.48
				21.07.2017	-604303	SOLD	15,42,719	1.06
				28.07.2017	4995	BOUGHT	15,47,714	1.06
				04.08.2017	-7990	SOLD	15,39,724	1.06
				11.08.2017	66	BOUGHT	15,39,790	1.06
				18.08.2017	17297	BOUGHT	15,57,087	1.07
				25.08.2017	-5354	SOLD	15,51,733	1.07
				01.09.2017	12614	BOUGHT	15,64,347	1.08
				08.09.2017	-27369	SOLD	15,36,978	1.06
				15.09.2017	43811	BOUGHT	15,80,789	1.09
				22.09.2017	-1420	SOLD	15,79,369	1.09
				30.09.2017	11776	BOUGHT	15,91,145	1.09
				06.10.2017	7743	BOUGHT	15,98,888	1.10
				13.10.2017	18995	BOUGHT	16,17,883	1.11
				20.10.2017	177	BOUGHT	16,18,060	1.11
				27.10.2017	495	BOUGHT	16,18,555	1.11
				03.11.2017	-309538	SOLD	13,09,017	0.90
				10.11.2017	-110400	SOLD	11,98,617	0.82
				17.11.2017	385	BOUGHT	11,99,002	0.83
				24.11.2017	-23615	SOLD	11,75,387	0.81
				01.12.2017	-11880	SOLD	11,63,507	0.80
				08.12.2017	14910	BOUGHT	11,78,417	0.81
				15.12.2017	-80595	SOLD	10,97,822	0.76
				22.12.2017	-20453	SOLD	10,77,369	0.74
				29.12.2017	-185257	SOLD	8,92,112	0.61
				05.01.2018	-31114	SOLD	8,60,998	0.59
				12.01.2018	-124014	SOLD	7,36,984	0.51
				19.01.2018	-77207	SOLD	6,59,777	0.45
				25.01.2018	-142010	SOLD	5,17,767	0.36
				02.02.2018	4824	BOUGHT	5,22,591	0.36
				09.02.2018	8798	BOUGHT	5,31,389	0.37
				16.02.2018	-7718	SOLD	5,23,671	0.36
				23.02.2018	-510171	SOLD	13,500	0.01
				02.03.2018	511045	BOUGHT	5,24,545	0.36
				09.03.2018	-60188	SOLD	4,64,357	0.32
				16.03.2018	39268	BOUGHT	5,03,625	0.35
				23.03.2018	-1649	SOLD	5,01,976	0.35
				31.03.2018	407	BOUGHT	5,02,383	0.35

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2017		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2017-18	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
4	KOTAK MAHINDRA (INTERNATIONAL) LIMITED	1521004	1.05	*01.04.2017*	0	NA	15,21,004	1.05
				21.04.2017	-169200	SOLD	13,51,804	0.93
				05.05.2017	-1351804	SOLD	0	0.00
				31.03.2018	0		0	0.00
5	CARMIGNAC GESTION A/C CARMIGNAC INVESTISSEM ENT	1403739	0.97	*01.04.2017*	0	NA	14,03,739	0.97
				25.08.2017	-30000	SOLD	13,73,739	0.95
				31.03.2018	0		13,73,739	0.95
6	ABU DHABI INVESTMENT AUTHORITY - LGLINV	1185162	0.82	*01.04.2017*	0	NA	11,85,162	0.82
				28.04.2017	-201521	SOLD	9,83,641	0.68
				05.05.2017	-131031	SOLD	8,52,610	0.59
				19.05.2017	-33204	SOLD	8,19,406	0.56
				26.05.2017	-49806	SOLD	7,69,600	0.53
				02.06.2017	-86205	SOLD	6,83,395	0.47
				21.07.2017	344039	BOUGHT	10,27,434	0.71
				28.07.2017	96438	BOUGHT	11,23,872	0.77
				11.08.2017	6086	BOUGHT	11,29,958	0.78
				01.09.2017	-32140	SOLD	10,97,818	0.76
				22.09.2017	1750	BOUGHT	10,99,568	0.76
				30.09.2017	-51591	SOLD	10,47,977	0.72
				06.10.2017	-7329	SOLD	10,40,648	0.72
				20.10.2017	-62600	SOLD	9,78,048	0.67
				03.11.2017	38250	BOUGHT	10,16,298	0.70
				17.11.2017	-63271	SOLD	9,53,027	0.66
				24.11.2017	-41367	SOLD	9,11,660	0.63
				01.12.2017	-887	SOLD	9,10,773	0.63
				08.12.2017	-81300	SOLD	8,29,473	0.57
				22.12.2017	-271350	SOLD	5,58,123	0.38
				09.02.2018	-45578	SOLD	5,12,545	0.35
				16.02.2018	34400	BOUGHT	5,46,945	0.38
				23.02.2018	-546945	SOLD	0	0.00
				02.03.2018	571808	BOUGHT	5,71,808	0.39
				09.03.2018	19385	BOUGHT	5,91,193	0.41
				16.03.2018	54646	BOUGHT	6,45,839	0.44
				23.03.2018	-1219	SOLD	6,44,620	0.44
				31.03.2018	0		6,44,620	0.44
7	ICICI PRUDENTIAL VALUE DISCOVERY FUND	1146837	0.79	*01.04.2017*	0	NA	11,46,837	0.79
				07.04.2017	272	BOUGHT	11,47,109	0.79
				14.04.2017	39	BOUGHT	11,47,148	0.79
				21.04.2017	3111	BOUGHT	11,50,259	0.79
				28.04.2017	71	BOUGHT	11,50,330	0.79
				05.05.2017	53034	BOUGHT	12,03,364	0.83
				12.05.2017	-49051	SOLD	11,54,313	0.79
				19.05.2017	43669	BOUGHT	11,97,982	0.82
				26.05.2017	-129	SOLD	11,97,853	0.82

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2017		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2017-18	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
				20.06.2017	326	BOUGHT	11,98,179	0.82
				21.07.2017	-22346	SOLD	11,75,833	0.81
				28.07.2017	15544	BOUGHT	11,91,377	0.82
				04.08.2017	36	BOUGHT	11,91,413	0.82
				11.08.2017	115	BOUGHT	11,91,528	0.82
				18.08.2017	116	BOUGHT	11,91,644	0.82
				25.08.2017	132	BOUGHT	11,91,776	0.82
				01.09.2017	-129523	SOLD	10,62,253	0.73
				08.09.2017	-337102	SOLD	7,25,151	0.50
				15.09.2017	-137557	SOLD	5,87,594	0.40
				22.09.2017	-53491	SOLD	5,34,103	0.37
				30.09.2017	242	BOUGHT	5,34,345	0.37
				06.10.2017	605	BOUGHT	5,34,950	0.37
				13.10.2017	-24453	SOLD	5,10,497	0.35
				20.10.2017	53	BOUGHT	5,10,550	0.35
				27.10.2017	30	BOUGHT	5,10,580	0.35
				03.11.2017	49	BOUGHT	5,10,629	0.35
				10.11.2017	151	BOUGHT	5,10,780	0.35
				17.11.2017	193	BOUGHT	5,10,973	0.35
				24.11.2017	294	BOUGHT	5,11,267	0.35
				01.12.2017	266	BOUGHT	5,11,533	0.35
				08.12.2017	550	BOUGHT	5,12,083	0.35
				15.12.2017	189	BOUGHT	5,12,272	0.35
				22.12.2017	-1750	SOLD	5,10,522	0.35
				29.12.2017	-499494	SOLD	11,028	0.01
				05.01.2018	109	BOUGHT	11,137	0.01
				12.01.2018	384	BOUGHT	11,521	0.01
				19.01.2018	14373	BOUGHT	25,894	0.02
				25.01.2018	322	BOUGHT	26,216	0.02
				02.02.2018	74	BOUGHT	26,290	0.02
				09.02.2018	489	BOUGHT	26,779	0.02
				16.02.2018	36	BOUGHT	26,815	0.02
				23.02.2018	-26815	SOLD	0	0.00
				02.03.2018	25637	BOUGHT	25,637	0.02
				09.03.2018	187	BOUGHT	25,824	0.02
				16.03.2018	60	BOUGHT	25,884	0.02
				23.03.2018	183	BOUGHT	26,067	0.02
				31.03.2018	246	BOUGHT	26,313	0.02
8	VANGUARD EMERGING MARKETS STOCK INDEX FUND, ASERIE	1007653	0.69	*01.04.2017*	0	NA	10,07,653	0.69
				07.04.2017	12426	BOUGHT	10,20,079	0.70
				28.04.2017	1140	BOUGHT	10,21,219	0.70
				05.05.2017	9120	BOUGHT	10,30,339	0.71
				12.05.2017	2850	BOUGHT	10,33,189	0.71
				19.05.2017	6156	BOUGHT	10,39,345	0.72

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2017		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2017-18	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
				02.06.2017	2508	BOUGHT	10,41,853	0.72
				21.07.2017	6840	BOUGHT	10,48,693	0.72
				04.08.2017	2508	BOUGHT	10,51,201	0.72
				11.08.2017	3306	BOUGHT	10,54,507	0.73
				01.09.2017	4104	BOUGHT	10,58,611	0.73
				08.09.2017	5814	BOUGHT	10,64,425	0.73
				15.09.2017	5244	BOUGHT	10,69,669	0.74
				06.10.2017	3420	BOUGHT	10,73,089	0.74
				13.10.2017	3534	BOUGHT	10,76,623	0.74
				20.10.2017	2622	BOUGHT	10,79,245	0.74
				27.10.2017	2394	BOUGHT	10,81,639	0.74
				22.12.2017	-47603	SOLD	10,34,036	0.71
				25.01.2018	4841	BOUGHT	10,38,877	0.71
				02.02.2018	4326	BOUGHT	10,43,203	0.72
				23.03.2018	-21497	SOLD	10,21,706	0.70
				31.03.2018	-5000	SOLD	10,16,706	0.70
9	MOTILAL OSWAL MOST FOCUSED DYNAMIC EQUITY FUND	997285	0.69	*01.04.2017*	0	NA	9,97,285	0.69
				14.04.2017	-31600	SOLD	9,65,685	0.66
				21.04.2017	-5090	SOLD	9,60,595	0.66
				19.05.2017	-24679	SOLD	9,35,916	0.64
				26.05.2017	-18877	SOLD	9,17,039	0.63
				02.06.2017	43500	BOUGHT	9,60,539	0.66
				21.07.2017	126280	BOUGHT	10,86,819	0.75
				28.07.2017	3707	BOUGHT	10,90,526	0.75
				04.08.2017	3900	BOUGHT	10,94,426	0.75
				11.08.2017	23000	BOUGHT	11,17,426	0.77
				08.09.2017	31638	BOUGHT	11,49,064	0.79
				15.09.2017	45642	BOUGHT	11,94,706	0.82
				06.10.2017	16392	BOUGHT	12,11,098	0.83
				20.10.2017	-5108	SOLD	12,05,990	0.83
				03.11.2017	370000	BOUGHT	15,75,990	1.08
				24.11.2017	12650	BOUGHT	15,88,640	1.09
				01.12.2017	16132	BOUGHT	16,04,772	1.10
				08.12.2017	71262	BOUGHT	16,76,034	1.15
				15.12.2017	-1600	SOLD	16,74,434	1.15
				22.12.2017	4266	BOUGHT	16,78,700	1.16
				29.12.2017	30851	BOUGHT	17,09,551	1.18
				05.01.2018	110945	BOUGHT	18,20,496	1.25
				12.01.2018	28696	BOUGHT	18,49,192	1.27
				19.01.2018	78133	BOUGHT	19,27,325	1.33
				02.02.2018	-31154	SOLD	18,96,171	1.30
				09.02.2018	56000	BOUGHT	19,52,171	1.34
				23.02.2018	-1772936	SOLD	1,79,235	0.12
				02.03.2018	1772936	SOLD	19,52,171	1.34
				09.03.2018	37593	BOUGHT	19,89,764	1.37
				16.03.2018	-31201	SOLD	19,58,563	1.35
				23.03.2018	15000	BOUGHT	19,73,563	1.36
				31.03.2018	0		19,73,563	1.36

ANNEXURE 4 *(CONTINUED)*

Sl. No.	Name of the Shareholders	Shareholding at the beginning of the period 01/04/2017		Date of Change	Increase/ Decrease in Shareholding	Reason	Cumulative Shareholding during FY 2017-18	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
10	UTI MULTI CAP FUND	938061	0.65	*01.04.2017*	0	NA	9,38,061	0.65
				07.04.2017	20750	BOUGHT	9,58,811	0.66
				14.04.2017	12250	BOUGHT	9,71,061	0.67
				21.04.2017	2750	BOUGHT	9,73,811	0.67
				05.05.2017	-12546	SOLD	9,61,265	0.66
				12.05.2017	-51750	SOLD	9,09,515	0.63
				19.05.2017	-46250	SOLD	8,63,265	0.59
				21.07.2017	-2989	SOLD	8,60,276	0.59
				11.08.2017	4832	BOUGHT	8,65,108	0.60
				18.08.2017	9500	BOUGHT	8,74,608	0.60
				25.08.2017	-7000	SOLD	8,67,608	0.60
				01.09.2017	-22403	SOLD	8,45,205	0.58
				08.09.2017	-60	SOLD	8,45,145	0.58
				15.09.2017	210	BOUGHT	8,45,355	0.58
				22.09.2017	-884	SOLD	8,44,471	0.58
				30.09.2017	710	BOUGHT	8,45,181	0.58
				06.10.2017	-94199	SOLD	7,50,982	0.52
				20.10.2017	-23497	SOLD	7,27,485	0.50
				27.10.2017	-28053	SOLD	6,99,432	0.48
				03.11.2017	-70558	SOLD	6,28,874	0.43
				10.11.2017	-543	SOLD	6,28,331	0.43
				24.11.2017	-63	SOLD	6,28,268	0.43
				01.12.2017	-66	SOLD	6,28,202	0.43
				08.12.2017	-21	SOLD	6,28,181	0.43
				15.12.2017	-3500	SOLD	6,24,681	0.43
				22.12.2017	-43	SOLD	6,24,638	0.43
				29.12.2017	-96	SOLD	6,24,542	0.43
				05.01.2018	-21	SOLD	6,24,521	0.43
				12.01.2018	-105	SOLD	6,24,416	0.43
				19.01.2018	-21	SOLD	6,24,395	0.43
				25.01.2018	-501	SOLD	6,23,894	0.43
				02.02.2018	20004	BOUGHT	6,43,898	0.44
				09.02.2018	-736	SOLD	6,43,162	0.44
				23.02.2018	-643162	SOLD	0	0.00
				02.03.2018	643162	BOUGHT	6,43,162	0.44
				23.03.2018	-1941	SOLD	6,41,221	0.44
				31.03.2018	782	BOUGHT	6,42,003	0.44

ANNEXURE 4 *(CONTINUED)*

E. Shareholding of Directors and Key Managerial Personnel

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	At the beginning of the year Mr V K Viswanathan, Director Mr V. Ramachandran, Company Secretary	 153 10	- -	 (153) 10	-
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/sweat equity etc.): (Please refer table IV(iii) above for date wise change in promoter shareholding)	-	-	Date of sale September 19, 2017	-
	At the end of the year	10	-	10	-

F. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(INR in Million)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
(i) Principal Amount	12,984	27,750	-	40,734
(ii) Interest due but not paid	-	-	-	-
(iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**12,984**	**27,750**	**-**	**40,734**
Change in Indebtedness during the financial year				
Reclass*	-12849	12849		
Addition	-	40,550	-	40,550
Reduction	-65	-48,587	-	-48,652
Net Change	-12,914	4,812	-	-8102
Indebtedness at the end of the financial year				
(i) Principal Amount	70	32,562	-	32,632
(ii) Interest due but not paid				
(iii) Interest accrued but not due				
Total (i+ii+iii)	**70**	**32,562**		**32,632**

ANNEXURE 4 *(CONTINUED)*

G. Remuneration of Directors and Key Managerial Personnel

a. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in INR)

Sl. No.	Particulars of Remuneration	Anand Kripalu, Managing Director and Chief Executive Officer	Sanjeev Churiwala Executive Director and Chief Financial Officer
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961	117,192,349	43,458,352
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4,402,291	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Option	8,253,934	-
3	Sweat Equity	-	
4	Commission – as % of Profit Others – Specify	-	
5	Others – Please specify		
	Total	129,848,574	43,458,352
	Ceiling as per the Companies Act @ 5% for 1 Executive Director, 10% for two Executive Directors.	₹ 437.05 million for 1 executive director, ₹ 874.09 for 2 executive directors u/s 197 read with section 198 of the Companies Act, 2013	₹ 437.05 million for 1 executive director, ₹ 874.09 for 2 executive directors u/s 197 read with section 198 of the Companies Act, 2013

b. Remuneration to other directors **(Amount in INR)**

Sl. No.		Names of Directors				
1	Independent Directors	**Mr M K Sharma**	**Mr V K Viswanathan**	**Dr (Mrs) Indu Shahani**	**Mr D Sivanandhan**	**Mr Rajeev Gupta**
	Fee for attending Board Committee Meetings	5,00,000	6,25,000	7,25,000	5,75,000	4,50,000
	Commission	47,00,000	38,00,000	41,00,000	41,00,000	35,00,000
	Others, (Please specify)					
	Sub total	**52,00,000**	**44,25,000**	**48,25,000**	**46,75,000**	**39,50,000**
2	Other Non-Executive Directors	**Mr John Thomas Kennedy**	**Mr Vinod Rao**	**Mr Randall Ingber**		
	Fee for attending board committee meetings	-	-	-	-	
	Commission	-	-	-	-	
	Others, please specify	-	-	-	-	
	Sub total	-	-	-	-	
	Grand total	**52,00,000**	**44,25,000**	**48,25,000**	**46,75,000**	**39,50,000**
	Total Managerial Remuneration					
	Ceiling as per the Companies Act@ 1% for all Non-Executive Directors excluding Sitting Fees, which is not subject to limits.	₹ 87.41 Million (excluding sitting fees) for all Non-Executive Directors pursuant to calculation under section 197 read with section 198 of the Companies Act, 2013.				

ANNEXURE 4 *(CONTINUED)*

c. Remuneration to Key Managerial Personnel other than MD / Manager /Whole time Director

(Amount in INR)

Sl. No.	Particulars of Remuneration	V. Ramachandran EVP and Company Secretary	Total
1	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,191	14,908,022	14,908,022
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
2	Stock Option	-	-
3	Sweat Equity	-	-
4	Commission – as % of Profit Others – Specify	-	-
5	Others	-	-
	Total	**14,908,022**	**14,908,022**

H. Penalties / Punishment/ Compounding of Offenses

There has been no penalty or punishment under the Companies Act for the year ended March 31, 2018. However, during the year the Company and its Officers have Compounded certain offenses under the Companies Act, 2013 the details of which are mentioned below:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT/ROC]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	621A	Delay in conducting the Annual General Meeting for the year 2015.	INR 24,000	NCLT	NA
	621A	Delay in Appointing the Chief Financial Officer of the Company	INR 1,00,000	Regional Director	NA
B. DIRECTORS					
Mr Anand Kripalu					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	621A	Delay in conducting the Annual General Meeting for the year 2015.	INR 24,000	NCLT	NA
	621A	Delay in Appointing the Chief Financial Officer of the Company	INR 10,000	Regional Director	NA
Mr Sanjeev Churiwala					
Penalty	Nil	Nil	Nil	Nil	Nil

ANNEXURE 4 *(CONTINUED)*

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT/ROC]	Appeal made, if any (give Details)
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	621A	Delay in conducting the Annual General Meeting for the year 2015.	INR 24,000	NCLT	NA
C. OTHER OFFICERS IN DEFAULT					
V Ramachandran	Company Secretary				
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	621A	Delay in conducting the Annual General Meeting for the year 2015.	INR 24,000	NCLT	NA
	621A	Delay in Appointing the Chief Financial Officer of the Company	INR 10,000	Regional Director	NA

ANNEXURE 5

Employee Details

Details of Ratio of Remuneration of Director

[Section 197(12) of the Companies Act, 2013 r/w Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel), Rules, 2014]

<table>
<tr><td rowspan="10">(i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;

(ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;</td><td>Name of the Director</td><td>Designation</td><td>Ratio to the Median</td><td>Percentage Increase</td></tr>
<tr><td>Anand Kripalu</td><td>Managing Director & Chief Executive Officer</td><td>342:1</td><td>5%</td></tr>
<tr><td>Sanjeev Churiwala</td><td>Executive Director and Chief Financial Officer</td><td>114:1</td><td>12%</td></tr>
<tr><td>V Ramachandran</td><td>Executive Vice President and Company Secretary</td><td>40:1</td><td>-2%</td></tr>
<tr><td>Mahendra Kumar Sharma</td><td>Independent Non-Executive Chairman</td><td>13:1</td><td>12%</td></tr>
<tr><td>V K Viswanathan</td><td>Independent Non-Executive Director</td><td>11:1</td><td>10%</td></tr>
<tr><td>D Sivanandhan</td><td>Independent Non-Executive Director</td><td>12:1</td><td>-3%</td></tr>
<tr><td>Indu Shahani</td><td>Independent Non-Executive Director</td><td>12:1</td><td>1%</td></tr>
<tr><td>Rajeev Gupta</td><td>Independent Non-Executive Director</td><td>10:1</td><td>-4%</td></tr>
<tr><td colspan="4">* For Non-executive Directors change in percentage denotes change in remuneration (including commission and sitting fees) and for the period of their Directorship during the year.</td></tr>
<tr><td>(iii) The percentage increase in the median remuneration of employees in the financial year;</td><td colspan="4">The average increase in remuneration in the Financial Year 2017-18 compared to the median remuneration of employees in the previous year is 5.31%.</td></tr>
<tr><td>(iv) The number of permanent employees on the rolls of company;</td><td colspan="4">The Company had a permanent headcount of 4427 on the rolls as of 31 March 2018.</td></tr>
<tr><td>(v) Average percentile increase already made in the salaries of employees other than the key managerial personnel in the last financial year and its comparison with the percentile increase in the key managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;</td><td colspan="4">The increase in the average remuneration of the employees other than the key managerial personnel in the current financial year compared to the last financial year was 6.5% while the increase in the key managerial average remuneration was 6.6%. The increase in the salaries includes exercised long term incentives & performance based pay (which varies from year to year based on individual and/or business performance) for all executive employees and any over time/variable remuneration paid to the workmen employees. The annual average remuneration increase is based on company's market competitiveness as against the peer basket companies.</td></tr>
<tr><td>(vi) Affirmation that the remuneration is as per the remuneration policy of the Company.</td><td colspan="4">The remuneration paid is as per the remuneration and reward policy of the Company</td></tr>
</table>

By Authority of the Board

Anand Kripalu
Managing Director and Chief Executive Officer

Mahendra Kumar Sharma
Chairman

Edinburgh, Scotland
July 23, 2018

ANNEXURE 5 *(CONTINUED)*

Particulars of Employees

Information as required under Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Director's Report for the Financial Year ended March 31, 2018.

A. Employees Employed for full year

Sl. No.	Employee Name	Age (as on 31 Mar '18)	No. of Shares held	Grand Total (Amount in INR)	Designation & nature of duties	Qualification	Experience	Date of employment	Particulars of previous employment
1	Abanti Sankaranarayanan	48	0	34,757,151	Chief Strategy & Corporate Affairs Officer	PGDBA	26	1-May-15	Managing Director - India, Diageo India Pvt Ltd
2	Abhishek Shahabadi	40	0	10,429,924	Vice President and Portfolio Head, Marketing	B.Com., PGDM-C	18	23-Feb-06	Group Head, Madison Communications
3	Ajay Goel	42	0	16,164,338	EVP and Financial Controller	B.Com, FCA, ACS	19	18-Apr-16	CFO, Supply Chain - GE India
4	Amarpreet Singh Anand	41	0	19,638,927	Executive Vice President and Portfolio Head	PGDM	17	2-Feb-15	Mondelez International Ltd
5	Amrit Thomas	51	0	68,939,128	Chief Marketing Officer	B.TECH, PGDM	26	12-Jun-07	Category Head - Beverages, Hll
6	Anand Kripalu	59	0	129,848,574	Managing Director & Chief Executive Officer	B.Tech, PGDM	33	1-May-14	Managing Director, Cadbury India Ltd
7	Arun Goyal	48	0	10,356,901	Assistant Vice President - Manufacturing	BE, M Tech	21	21-Feb-11	Head-Project Engineer, Sika India Pvt Ltd
8	Atul Chandra Jha	49	0	10,254,261	Senior General Manager and HR Business Partner	PGD (PM&IR), XISS, 1996	22	25-Apr-16	Reckitt Benckiser
9	Avinash Deoskar	42	100	11,360,160	Vice President and Sales Head (East)	PGDM 1999, SIMS	19	18-Aug-16	Pernod Ricard
10	Baskaran Thiagarajan	47	0	12,784,155	Vice President - Manufacturing (TMU)	Bachelor of Engineering in Mechanical Engineering	26	12-Jan-17	Heading India Operations - Manufacturing, Avery Dennison India (P) Ltd.
11	Deepak Kumar Katty	53	0	13,560,953	Divisional Vice President - Sales Effectiveness & Analytics	MBA	29	28-Oct-14	Pernod Ricard
12	G Pulla Reddy	45	0	12,231,219	Vice President- Manufacturing Operations (Own Units)	B.Tech.; M.Tech.	23	15-Sep-97	Bhor Industries Limited
13	Hariharan Krishnan	47	0	10,427,230	Vice President- Supply Chain & Logistics	PGDM, BE	23	21-Dec-15	Log Market
14	I P Suresh Menon	61	0	16,044,543	Advisor - Tax & Regulatory Affairs	BA-English, MBA-Business Management, JBIMS,	40	1-Apr-85	United Breweries Limited
15	Kashinath Jha	48	0	14,022,047	Vice President- Manufacturing Operations Excellence	BE	27	6-Sep-16	Reckitt Benckiser
16	Kedar Vivekanand Ulman	44	0	26,586,147	Chief Supply Chain Officer	BE, IIM – B	22	24-Apr-09	Sr. Manager, Accenture Services Pvt Ltd
17	Keshava Babu C S	45	0	11,869,685	Assistant Vice President - Quality	BE	24	3-Nov-11	Motorola India Private Ltd Head Quality Assurance
18	Lal Rangwani	52	350	13,478,495	Vice President and Sales Head (West)	B.Com, M.Com, PGDBM	31	7-Aug-87	Herbertsons TSE
19	Mamta Sundara	40	0	20,533,972	EVP and General Counsel	LLB	15	15-Feb-15	Senior Counsel - India Projects, Diageo India Pvt Ltd
20	Mathew Xavier	53	0	30,495,481	EVP and Chief Operating Officer (South)	PGDM / B.COM	29	10-Nov-03	Vp Marketing Erstwhile Swdl
21	Meghna Agarwal	36	0	10,303,671	Vice President - Commercial Finance	CA	12	1-Jul-15	Diageo plc

ANNEXURE 5 *(CONTINUED)*

Sl. No.	Employee Name	Age (as on 31 Mar '18)	No. of Shares held	Grand Total (Amount in INR)	Designation & nature of duties	Qualification	Experience	Date of employment	Particulars of previous employment
22	Nischal Hindia	41	0	19,555,969	Vice President and Senior Counsel	LLB	17	1-May-15	Legal Director - India, Diageo India Pvt Ltd
23	Nitesh Chhapru	38	0	11,464,573	Vice President and Chief Innovation Officer	MBA	13	1-Jan-14	Founder Director, The Brahma Innovation Company
24	Pothen Jacob	46	0	10,216,448	Senior General Manager - Organization Effectiveness	BE, MBA Griffith University, Australia	24	21-Mar-16	Director, Compensation and Benefits – India and APAC, Sapient (Publicis Groupe)
25	Prashanth M S	44	0	16,306,156	Vice President and Customer Marketing Head	BSC, MMS	17	18-Aug-14	Sales Director, Reckitt Benckiser
26	Prathmesh Mishra	48	0	35,143,593	Chief Commercial Officer	PGDM, BA	20	18-Jun-14	Pernod Ricard
27	R Chandrashekar	56	0	10,478,475	Assistant Vice President - Employee Relations	Bachelors Degree - Others MA; PG Diploma - Other	33	5-Sep-94	Mysore Cements Ltd
28	Rohini Seth	47	0	20,717,253	Vice President- National HR Operations	BA, MA in HR	24	29-Jun-15	Reckitt Benkiser as HR Head
29	Sandeep Kumar Singal	54	0	22,275,200	EVP and Chief Operating Officer (East)	B.tech, M.B.A	19	14-Oct-15	Head- Branded Retail & Alternate Channels, tata tele services ltd
30	Sanjeev Churiwala	48	0	43,458,352	Executive Director & Chief Financial Officer	ACA, ACS, ACWA & Executive MBA from London Business School.	24	16-Nov-15	Ambuja Cements
31	Sanjeev Ganesh	41	20	13,575,651	EVP- Procurement	B.Tech, MBA	13	1-Apr-10	Managing Consultant, Aqua Management Consulting Group
32	Shankar Ramanathan	50	0	11,470,567	Vice President- Engineering & Projects	B.E., MS	23	16-Feb-15	Director, Capex and Engineering - Pepsi Co.
33	Shelley Sengupta	42	0	11,003,466	Vice President- Consumer Planning & Insights	B.Com., PG Diploma	16	30-Nov-07	Head of Qualitative Research Division, South, Synovate India
34	Shovan Ganguli	56	0	16,291,703	Senior Vice President- R&D	Ph.d - Organic Chemistry	27	25-Feb-13	Hindustan Unilever Limited Platform director-bioscience,nutrition, health
35	Siddharth Rastogi	40	0	13,330,027	Vice President and Sales Head (North)	BE (Hons), PGDBM	17	23-Jun-14	Commercial Director - Diageo India Pvt. Ltd., Supply Chain Planning & Head - India Procurement
36	Sridhar B	44	40	12,605,253	Vice President and Chief Digital Officer	B.COM, PGDBA	14	20-Feb-09	Director Marketing, Sulekha Com
37	Steve Correa	53	0	29,581,760	Chief Human Resources Officer	B.Com, MBA, LLB	28	5-Sep-14	Chief Human Resource Officer, Reliance Jio Infocomm Limited
38	Subroto Geed	43	0	19,463,430	Executive Vice President and Chief Operating Officer	PGDISM	19	21-Sep-15	Nicholas Piramal India Ltd
39	Sumi Vivek	43	0	17,975,812	Vice President - IT	B.Tech 1996, PGDBM - 2000	19	22-Mar-17	IBM Global Services
40	V Ramachandran	56	10	14,908,022	EVP and Company Secretary	B.com: ACA,ACS	30	24-Apr-15	Company Secretary, Wipro Limited
41	Vikram Jain	42	0	11,401,514	Assistant Vice President - Customer Marketing	B.Com, MBA	13	19-Jan-09	Senior Manager, Pernod Ricard
42	Vineet Kumar Kapila	57	0	45,545,749	Global Head Main Stream Spirits	B.Com, PDGM	33	5-Dec-12	President & CEO- Spencers Retail

ANNEXURE 5 *(CONTINUED)*

B. Employed for the part of the year

Sl. No.	EMP NAME	Age (as on 31 Mar '18)	Total (Amount in ₹)	Designation & nature of duties	Qualification	Experience	Date of employment	Particulars of previous employment
1	Abhay Kewadkar	57	4,695,257	Senior Vice President and Business Head- Wines	B.TECH (CHEM)	35	23-Aug-06	Vice President & Wine Maker - Grover Vineyards Ltd
2	Ajay B Baliga	59	28,771,854	Executive Vice President - Manufacturing, Projects & Quality Control	B.TECH (CHEM ENGG)	37	3-Nov-08	Allied Blenders & Distillers Pvt Ltd, SVP - Business Development & Mfg
3	Amlan Das	43	7,581,130	Deputy General Manager - Financial Accounting	B.Com., CAICWAI	23	4-Oct-06	ITC Limited
4	Amrit Kiran Singh	59	19,650,033	Chief Advisor - Corporate Relations & Public Policy	B.TECH, MBA	36	15-Jan-15	NA
5	Anand Binani	40	5,004,628	Vice President - Sales	BSc, 1999, PGDM – IIMB, 1999	17	16-Nov-17	Zomato
6	Gajanan V. Bhat	59	852,962	Senior Manager - Financial Accounting	B.Com.	38	1-Jul-89	NA
7	Jagbir Singh Sidhu	47	13,279,100	EVP & Chief Operating Officer - North	MBA, Punjab University, 1994	24	5-Jul-17	Pernod Ricard
8	M Sandassilane	56	2,628,989	Senior Manager - Financial Accounting	B.Com.	35	1-Jan-89	NA
9	Michelle D Souza	50	6,322,197	Vice President- Corporate Communications	B.Com.	27	8-Sep-14	Head Communication - DIPL
10	Narayanan Subramanyam	52	1,662,656	Senior Vice President- Information Technology	B.A, MBA	31	24-Oct-13	IT Director, Global End User Services, Hindustan Unilever Ltd.
11	Naresh Varadarajan	48	5,547,189	Senior General Manager - Commercial Finance	B.Com. (H) Field of Study Commerce, Accounting, Economics	23	28-Jun-12	The Global Green Company Limited AVP- F&A
12	Pankaj Gupta	47	27,178,055	Chief Supply Chain Officer	BE chem IIT Varanasi	26	1-Jul-15	Sr Expert Asia Operations _ Mckinsey & Co
13	Paramjit Singh Gill	56	51,934,542	President - All India Operations	B.SC, M.PHIL, DIP IN LABOUR LAW, CHARTERED MARK	35	1-Jul-92	Evp, United National Breweries (Sa) (Pty) Limited, Centurion
14	Prabhaharan Viswanathan	45	5,601,705	Executive Vice President – Finance Transformation	Bachelor's degree in CA & MBA	25	1-Aug-14	Diageo Australia
15	Pradeep Jain	49	24,724,631	Executive Vice President - FP&R and Commercial Finance	B.Com. 1988, CA 1991	26	4-Apr-17	CFO, Pidilite Industries
16	Rabi Shankar Mishra	39	6,477,049	Vice President - Sales	PGDM, 2001, SIMB	17	3-Oct-17	Mondelez
17	Raja R Peter	58	3,639,919	Assistant Vice President - Procurement	BE; Other	37	16-Jul-07	Tata Teleservices
18	Rajesh Fanda	46	6,298,719	Assistant Vice President - Franchise	B.Com, MBA	25	22-Aug-94	T S E, Dr Sabharxal Bluck Drugs Ltd
19	Ramachandra M Iyer	54	15,097,126	Assistant Vice President - Franchise	B.Sc. Masters Degree - Others	32	9-Feb-00	General Manager, Marketing & Sales, BGW - Jagdale Foods
20	S V S V Sastry	55	11,680,498	Vice President and Sales Head (South)	B.Sc.	32	14-Jun-12	ABD Pvt. Ltd. VP South RPC
21	Sadhan Sarkar	54	9,799,988	Senior Manager - Financial Accounting	B.Com.; PGDM	31	29-Apr-89	McDowell & Company
22	Sanjeev Kumar Gupta	50	15,659,131	Executive Vice President - Manufacturing Operations	BE 1987, PGD NIIE 1988	29	3-Jul-17	Mondelez
23	Shweta Jain	42	3,515,671	Vice President - Key Accounts, Luxury and Banquets	MBA 1998	20	11-Dec-17	William Grant & Sons
24	Sundeep Sundar	52	7,254,469	General Manager - Sales	BA	31	1-Oct-90	NA
25	Vikas Mathew	43	6,919,842	General Manager - Sales	B.Com., MBA	21	27-Aug-07	NA

Note:

1. None of the employees are related to the directors of the Company. None of the employees hold more than 2% of paid-up equity share capital of the Company.
2. Since employees listed above includes the names of top 10 employees in terms of remuneration drawn, the list of such names is again not repeated in above table pursuant to sub rule 2 of Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.
3. Remuneration details are not comparable with last year since many of the employees joined / exited during the year and the figures vary due to variable pay, retirals etc. and other payments made on such joining / exit.

ANNEXURE 6

Risk Management

Our ambition is to create the best performing, most trusted and respected consumer Products in India. Risk management lies at the heart of our ambition. The risk management guidelines adopted by your company were to anticipate, plan and mitigate the wide range of risks faced by it. Our business is subject to uncertainties which may have material impact on our business model and financial performance. Hence our risk management process has been built to enable proactive identification of risks and to mitigate/minimise the impact of risk by optimising resources. To be best performing, most trusted and respected, we need to take well managed risks and we need to avoid damage to our reputation and build a resilient, sustainable business in an increasingly volatile external environment.

Our risk management objectives are to:

- Protect and enhance value – Maximise the benefit from new opportunities, challenges and balancing risk and return
- Avoid damage to our reputation
- Prioritise effectively between different risks
- Demonstrate good corporate governance by managing our risks effectively

Risk Management at USL addresses all aspects of risk, including strategic, financial, operational, reputational, compliance, fraud and other risks.

Our approach:

Our methodology for assessing risk is straightforward and is designed to adapt to changes in business to shape the organisation's ability to deal with the opportunities and risks. It provides the mechanism for assessing and managing the opportunities and risks both external and internal that may impact the business. All business functions follow a co-ordinated process that uses common language of risk and work on the process to either mitigate or reduce the impact of risk. It provides the designated owners of the process and the risk owners with a framework for defining the essential tasks of risk management.

The Risk Management process is driven, demonstrated in action and endorsed by the senior management team. The board exercises independent review through Audit and Risk Management Committee.

Key components of risk management framework:



ANNEXURE 6 *(CONTINUED)*

Risk governance structure:



Risk categories:

Following are the broad categories of risks considered in our risk management framework:

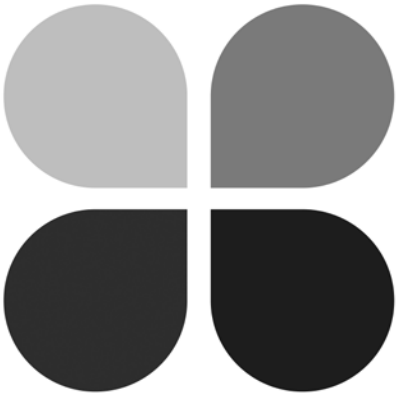
RISK CATEGORIES

STRATEGY

Risks which impacts the company's planned strategies and the risks to the successful execution of strategies. These are called out from the choices we make on markets, product mix and resources that will impact our competitive advantage in the medium and long term. Potential risks to the long term scalability and sustainability of the organisation are also analysed and mitigated.

LEGAL & COMPLIANCE

Risks arising out of non- compliance to various legal and compliance policies or non-conformance with laws, regulations which poses threat to financial, organisational or reputational standing of are classified under legal and compliance risk.



OPERATIONAL

Risks arising out of unexpected developments resulting from internal processes , systems or from external events that are linked to actual running of business are covered in this category – for example virus attacks or breach of cyber security

FINANCIAL

Risk which impacts the company's financial strength & control environment are classified under financial risk – for example Internal control weakness

ANNEXURE 6 *(CONTINUED)*

Risk management highlights for the year

During the year our Executive committee and the Board focused on principal risks falling into several categories including increasingly volatile external environment, political changes, risk posed by critical industry development, leadership succession planning, business disruptions due to cyber-attacks.

- **Cyber security** – Cyber security is the protection of information systems from the theft or damage to the hardware, the software and to the information on them, as well as disruption to the services that are provided to the business by them. Effective security controls are implemented to detect, prevent and remediate threats. Awareness campaign launched to enhance user capability in handling exceptions and to enhance technical measures to block phishing attacks, strengthen response capability to tackle serious attacks and breaches.
- **Regulatory changes** – Changes in the governmental regulations and unfavourable political condition cascades to loss/ decline in sale. Though these risk are uncontrollable at company end, we have made detailed action points to address the risk by partnering with Industry forum and engaging with the Government.
- **Data Privacy** – The Data Privacy program has been augmented to provide insights on how data is acquired, accessed, stored and protected. All existing frameworks including policies and processes are being revisited keeping in consideration the Privacy regulatory requirements.
- **Shared service migration** – Appropriate risk and control matrices have been designed for all critical processes which are migrated to shared service environment and both design and effectiveness is tested under Internal financial control and SOX programs.
- **Financial risk** – The Company maintains a system of internal control framework which has been designed to provide assurance regarding reliability of financial control, compliance with applicable laws and regulations and effectiveness of operations. The company's internal financial framework is based on "three lines of defence model". Robust and continuous internal monitoring mechanisms ensure timely identification of risks and issues. The effectiveness of our internal control are tested by independent auditor through rigorous testing procedures.

The risk management committee conducts periodic and robust assessment of risks and uncertainties that could significantly impact or impede our ability to achieve current or future business objectives. Our risk management process provides the framework to manage the risk and support our value creation objectives.

ANNEXURE 7

Corporate Social Responsibility (CSR)

THE ANNUAL REPORT ON CSR ACTIVITIES

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

Outline of the Company's CSR policy.

CSR Strategy of the Company supports our ambition to become the best performing, most trusted and respected consumer Products Company in India. Your Company recognizes that its business activities directly affects the lives of people around our plants and in the markets that we operate in. We believe that the communities in which we operate should benefit from our presence. We are aware of the importance of being responsible about our brands, and the way we develop, produce and sell them.

As one of the world's leading alcoholic beverage business, we want to be at the forefront of industry efforts to promote responsible drinking and reduce the harmful use of alcohol. Our Sustainability & Responsibility Strategy integrates social responsibility into our core business to create value for society and our shareholders.

The Company's CSR Policy is available at www.diageoindia.com

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

INR in Million

Particulars	FY16-17	FY15-16	FY14-15
Profits/(loss) for CSR Computation	2718.5	4094.62	(460)

3. Prescribed CSR Expenditure (two per cent of the Average of the previous three years profits) **: INR 42.35 Million (INR 423.54 Lakhs)**
4. Details of CSR spent during the financial year.
   a. The company was required to spend **INR 423.54 Lakhs** and the company has actually spent **INR 1045.72 Lakhs**.
   b. Amount unspent, if any: - Not applicable.

ANNEXURE 7 *(CONTINUED)*

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	**CSR project or activity identified**	**Sector in which the project is Covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount outlay (budget) project or program Wise(INR)**	**Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or Programs. (2) Overheads: (INR)**	**Cumulative expenditure up to the reporting period (INR)**	**Amount spent: Director through implementing agency***
1	**Partnerships:**			**340 Lakhs**	**292 Lakhs**	**292 Lakhs**	
	NDTV Partnership -Partnership with NDTV for a High visibility program 'Road to Safety' which has consumer outreach to create awareness about road safety, drink driving & underage drinking	Schedule VII (ii) under "promoting education". Promotion of Road Safety through CSR: (i) (a) Promotions of Education, "Educating the Masses and Promotion of Road Safety awareness in all facets of road Usage"	National level telecast on NDTV 24 X7 and NDTV India				Directly through Mind Share
	IRTE Program -Capacity Building training on defensive and hazards of driving under the influence of alcohol with IRTE (Institute of Road Traffic Education) and MORTH (Ministry of Road Transport and Highways)	(b) For drivers training etc. Schedule VII (ii) under "vocational skills"	Training held across 12 cities Bangalore, Kolkata, Bhopal, Jaipur, Meghalaya, Patiala, Vijayawada, Mohali, Dehradun, Varanasi, Lucknow and Jodhpur				Implemented through Institute of Road Traffic Education
	University Partnerships: Program with IIT Delhi and BITS Pilani Goa on Road Safety Awareness amongst young students	Schedule VII (ii) under "promoting education". Promotion of Road Safety through CSR	New Delhi, Mumbai, Bengaluru, Goa, Bhopal, Roorkee, Indore, Hyderabad				Direct and through partnership
2	**Education:**			**150 lakhs**	**93.30 lakhs**	**93.30 lakhs**	
	Cool Teens Life Skills Awareness program for Adolescents	Schedule VII (ii) under "promoting education"	Maharashtra, Karnataka, UP, Haryana, Delhi, Punjab				Implemented through IL&FS Education
	Digital Classrooms: Provided 10 K-Yans to make 10 classrooms digital	Schedule VII (ii) under "promoting education"	Baramati, Maharashtra				Implemented through IL&FS Education
	School Infrastructure: Construction of boundary wall for 2 schools	Schedule VII (ii) under "promoting education"	Nashik, Maharashtra				Implemented through NGO partners
3	**Sports** Supported Basketball Federation of India for promotion of sports	Schedule VII: (vii): training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports	Bangalore, Karnataka	**275 lakhs**	**228.75 lakhs**	**228.75 lakhs**	Implemented directly through Basketball Federation of India
4	**Rural Development**	Schedule VII: (x): Rural Development Projects	Alwar, Rajasthan and Sarvar, Bhopal, Madhya Pradesh	**20 lakhs**	**10.2 lakhs**	**10.2 lakhs**	Implemented directly through NGO partner

ANNEXURE 7 *(CONTINUED)*

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No.	**CSR project or activity identified**	**Sector in which the project is Covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount outlay (budget) project or program Wise(INR)**	**Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or Programs. (2) Overheads: (INR)**	**Cumulative expenditure up to the reporting period (INR)**	**Amount spent: Director through implementing agency***
5	**Water Replenishment Projects:** Drinking Water Project Installation of Water Cooler at Alwar Water and Soil conservation project in Madhya Pradesh Installation and construction of 15 Water RO systems along with chiller unit (Water ATMs)	 Schedule VII (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water Schedule VII (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water	 Rajasthan Madhya Pradesh Maharashtra	**280 Lakhs**	**276.7 Lakhs**	**276.7 Lakhs**	 Direct and through partnership
6	**Women Empowerment:** Security Health & Empowerment (SHE) Programs Learning for Life: Hospitality training for 100 underprivileged girls	 Schedule VII: Promoting gender equality and empowering women. 'promoting healthcare, including preventive healthcare' and sanitation, including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation	 Odisha, Rajasthan, Madhya Pradesh Yavatmal, Maharashtra	**150 lakhs**	**144.77 lakhs**	**144.77 lakhs**	 Direct and through partnership
	Total			**1215 lakhs**	**1045.72 lakhs**	**1045.72 lakhs**	

5. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report: Not applicable.

6. Responsibility statement of the CSR committee.
We hereby declare that implementation and monitoring of CSR activities is in compliance with CSR objectives and Policy of the Company. The Company has spent more than the statutorily required spend on CSR activities.

Dr (Mrs) Indu Shahani
Chairperson of CSR Committee

Mr Anand Kripalu
Managing Director and Chief Executive Officer

Mumbai
July 18, 2018

ANNEXURE 8

Energy Conservation Technology Absorption & Foreign Exchange

Details of Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outflow

(Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014)

A) Conservation of Energy

With reference to energy conservation, steps taken by the Company at its various manufacturing units were as under:

- In two of the manufacturing operations, solar power installation equipped and in the process of expanding to five units.
- 95% of Boiler fuel is Bio Mass based. Work in progress to move closer to 100%

B) Technology Absorption

- Treated effluent recycle through Reverse Osmosis plant equipped in Six plants
- Implemented at two units, 'Bio Gas Engines' for utilizing Methane Gas, produced in anaerobic Digester to produce power
- Power generation through Boiler Steam Turbine at three distilleries. Planning to expand at two more locations.



C) Foreign Exchange earnings and Outgo-

(INR in Millions)

Foreign exchange earned in terms of actual inflows during the year	930
Foreign exchange outgo in terms of actual outflows during the year	2492

ANNEXURE 9

Business Responsibility Report

Environment, Society and Governance lie at the heart of our business, ethics and philosophy. Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, we provide below our Business Responsibility Report describing the initiatives taken by the Company ("USL") from an environmental, social and governance perspective during the financial year ended March 31, 2018.

On each of the nine Principles governing this Business Responsibility Report, United Spirits Limited has been at the forefront to follow the same in letter and spirit. Our initiatives in this regard for each of the principles are highlighted below in the prescribed format.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. *Corporate Identity Number (CIN) of the Company - L01551KA1999PLC024991*
2. *Name of the Company – UNITED SPIRITS LIMITED*
3. *Registered address – 'UB TOWER', #24, Vittal Mallya Road, Bengaluru – 560 001*
4. *Website – www.diageoindia.com*
5. *E-mail id – investor.india@diageo.com*
6. *Financial Year reported – April 01, 2017 to March 31, 2018*
7. *Sector(s) that the Company is engaged in (industrial activity code-wise) – Manufacturing (Main Activity Group Code –C)*
8. *List three key products/services that the Company manufactures/provides (as in balance sheet)–Alcoholic Beverages, Extra Neutral Alcohol, Indian Made Foreign Liquor*
9. *Total number of locations where business activity is undertaken by the Company-19*
   (a) Number of International Locations (Provide details of major 5) - Nil
   (b) Number of National Locations – 19
10. *Markets served by the Company – Local/State/National/International – All the three.*

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. *Paid up Capital (INR) – 1,45,32,77,430*
2. *Total Turnover (INR) – 257560 million (Gross)*
3. *Total profit after taxes (INR) – 5,617 million*
4. *Total Spending on Corporate Social Responsibility (CSR) – The Company is required to spend an amount of 42.35 million (2% of average of last three years profit), and the company has spent 104.57 million in the financial year 2017-18 , which as percentage of profit after tax for the year ended March 31, 2018 is 4.94 %.*
5. *List of activities in which expenditure in 4 above has been incurred:-*
   As given in Annexure 7 of CSR Report, which is forming part of Report of Directors

SECTION C: OTHER DETAILS

1. *Does the Company have any Subsidiary Company/ Companies?*
   Yes.

2. *Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary company(s)?*
   Pioneer Distilleries Limited.

3. *Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%] –*
   Not Applicable.

ANNEXURE 9 *(CONTINUED)*

SECTION D: BR INFORMATION

1. *Details of Director / Directors responsible for BR – The list of Directors along with details are given below:*

   (a) *Details of the Director / Director responsible for implementation of the BR policy / policies as on March 31, 2018.*

Sl. No.	Name of the Director	DIN	Designation
1.	Mr Mahendra Kumar Sharma	00327684	Non-Executive Independent Director – Chairman
2.	Mr V K Viswanathan	01782934	Non-Executive Independent Director
3.	Mr Randall Ingber	07529943	Non-Executive Director
4.	Mr Anand Kripalu	00118324	Managing Director and Chief Executive Officer
5.	Mr Vinod Rao	01788921	Non-Executive Director
6.	Mr D Sivanandhan	03607203	Non-Executive Independent Director
7	Mr John Thomas Kennedy	07529946	Non-Executive Director
8.	Dr (Mrs) Indu Shahani	00112289	Non-Executive Independent Director
9.	Mr Rajeev Gupta	00241501	Non-Executive Independent Director
10.	Mr. Sanjeev Churiwala	00489556	Executive Director and Chief Financial Officer

   (b) *Details of the BR head* :
   Overall review of BR is with the Board of Directors and the implementation with the Management.

2. *Principle-wise (as per NVGs) BR Policy/Policies**

   (a) Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/policies for Code of Business Conduct and Ethics	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	The Code of Business Conduct & Ethics (CoBCE), is the key policy governing the compliance and ethics framework of the Company. In addition to CoBCE, it is mandatory for all employees to undergo training in CoBCE and a compliance certification program anchored by policies and procedures, prescribed as per the global standards, covering areas such as anti-bribery & corruption, including guidelines on gifting & entertainment, anti-money laundering and prevention of sexual harassment at workplace, in addition to the Employee Alcohol Policy, as a part of its commitment to responsible drinking.								
4	Has the policy being approved by the Board? Is yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of the Board/ Director / Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	http://diageoindia.com/Policy/55210936Code%20of%20Conduct-Q2.pdf								

* Refer to P1 to P9 below.

ANNEXURE 9 *(CONTINUED)*

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have inhouse structure to implement the policy/ policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)–NOT APPLICABLE

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the Principles									
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3	The Company does not have financial or manpower resources available for the task									
4	It is planned to be done within next 6 months									
5	It is planned to be done within the next 1 year									
6	Any other reason (please specify)									

3. *Governance related to BR*

(a) *Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.*

Annual.

(b) *Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?*

Published annually as part of the Annual Report. Hyperlink is www.diageoindia.com

ANNEXURE 9 *(CONTINUED)*

Principle 1 : Company's efforts in the area of Ethics, Transparency and Accountability

1. *Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?*

   The Code of Business Conduct & Ethics (CoBCE) is the key policy governing the compliance and ethics framework of the Company. All the employees are required to undergo mandatory training within 30 days of joining the employment and a yearly refresher training, along with a compliance certification program, for evaluation of the knowledge and understanding of CoBCE on an annual basis. In addition, face to face and functional trainings are also provided by the members of the compliance and ethics function on a regular basis.

   In addition to CoBCE, the compliance program is also anchored by policies and procedures, prescribed as per the global standards, covering areas such as anti-bribery & corruption, including guidelines on gifting & entertainment, anti-money laundering and prevention of sexual harassment at workplace in addition to the Employee Alcohol Policy, as a part of its commitment to responsible drinking.

   During the year revised CoBCE has been rolled out to subsidiaries of the Company also, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, Tern Distilleries Private Limited, Royal Challenge Sports Private Limited and Four Seasons Wines Limited, through adoption of the policy by the respective Boards and provision of training to the employees of the respective subsidiaries. They have also been covered under the process of annual compliance certification.

   The Company has a whistle blower/vigil mechanism known as SpeakUp, operated by a third party agency. Employees are encouraged to raise their compliance concerns through this mechanism, apart from other internal reporting channels viz. Line Manager or representatives of HR, Legal, Compliance & Ethics function, etc. Confidentiality and anonymity is guaranteed to all reporters. Company has a structured Breach Management Standard in place, for timely and conclusive resolution of issues raised through the whistle blower mechanism. Access is also provided to the Chairman of the Audit Committee in appropriate and exceptional cases.

2. *How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.*

   During the year, 95 cases were logged in SpeakUp, which included 24 cases in the nature of HR grievances. All of the above cases are closed with 26% being substantiated. Decisions on the reported breaches are determined and monitored by a compliance committee, comprising key members of the leadership team, by ensuring that there is a collective and a fair decision making process and consistent action in resolving the breaches. Quality of investigation and remedial actions are monitored by the Global Risk & Compliance team.

   As a part of the governance framework, details of significant breaches are tabled before the audit committee for its review on a quarterly basis. Regular updates are also provided to the senior leadership team on various aspects of the compliance program, not only to set tone at the top but also as a part of management's commitment to continuous improvement in integrating compliance with the business.

Principle 2 : Company's efforts to provide goods and services that are safe and contribute to sustainability throughout their life cycle.

1. *List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.*

   We have been conscious of social and environmental concerns and our processes and practices reflect our concern for the environment as can be seen from the details provided in the paragraphs below.

   1. *For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):*

      (a) *Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?*

ANNEXURE 9 *(CONTINUED)*

We give below the list of projects and achievements during the year

Project Type	Project Type	Project Description	Validated Benefits (m3)	COST in INR (Lakhs)
Bhopal	RO Water Plant	Construction of an RO water plant which could cater to safe drinking water needs of the villages around our plant	1200	10
Nagpur	Construction of Water ATMs	Construction of 20 water ATMS in the state of Maharashtra providing safe drinking water access to more than 21,000 beneficiaries	57600	266
		Total Water for Productive Use	58800	276

Your Company's initiatives in 2017 to reduce packaging materials include further reduction in the weight of glass bottles by 5-10% on most leading brand bottles per design feasibility, film down-gauging in Tetra as well as pack resizing by nearly 10%, reduction in carton weight by replacing older 5 Plyto 3 Ply RCT based paper liners. Your Company has initiated removal of plastic based components in its print material in anticipation of future waste management rules. In addition, your Company uses recycled bottles across most popular & prestige brands resulting in lower carbon footprint.

(b) *Reduction during usage by consumers (energy, water) has been achieved since the previous year?*
Indirect benefits have accrued to customers from the steps taken above.

2. *Does the Company have procedures in place for sustainable sourcing (including transportation)?*

   (a) *If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.*

   Your Company has initiated processes addressing the need for sustainable sourcing. In line with Diageo's global statement of intent on sustainable procurement, your Company is shortly issuing its own guideline on Partnering with Suppliers, covering engaging with vendors on ethical business practices, protection of human rights, health and safety standards as well as reduction of environmental impact.

   Additionally, your Company has implemented the roll out of Sedex across its vendor base in a phased manner, a global collaborative platform for sharing of responsible sourcing data.

3. *Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?*

Your Company has identified certain categories of spend amenable to sourcing from MSME vendors, like corrugated boxes or recycled bottles, and almost exclusively sources such categories from sources proximal to our manufacturing locations. In addition, agri-commodities like grapes, broken rice & maize etc. are sourced from local communities & cooperatives.

(a) *If yes, what steps have been taken to improve their capacity and capability of local and small vendors?*

In order to ensure such parties meet our specification requirements, your Company teams routinely conduct audits, identify process gaps and educate vendors on performance improvement and best practices.

In line with the tenets of Principle 2 that businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication etc. and to provide full details of contents and composition and to promote feusage and disposal of their products and services, your Company ensures that its product labels comply to all statutory requirements per legal metrology, food & safety standard set. Apart from this, customers are also made aware of mandatory requirements of individual states or markets, including but not limited to a detailed ingredient list, clearly published manufacturing & licensing details, customer care contact details as well as mandatory warnings as applicable for alcobev industry.

With regard to regular review to improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations, USL ensures minimization of our resource usage footprint, by working collaboratively with our suppliers along the following dimensions:

- Product specification optimization: including but not limited to light-weighting of containers, gauge reduction of metal components, weight optimization of print material etc., deploying available / new-age technologies & manufacturing capabilities with our suppliers.
- Feature optimization: In select cases, we have removed surplus packaging components to reduce overall material use.

ANNEXURE 9 *(CONTINUED)*

- Rationalization: Your Company is working towards rationalization of our material components for both economies of scale as well as maximizing utilization across our requirements, especially for recycled products like returnable bottles.

  In addition to above mentioned optimization drives, your Company has led in recycling through utilization of returnable glass bottles across a significant part of our popular brand. In addition, your Company collaborates with supply partners like Tetrapak to facilitate recycling & utilization of laminates, as well as glass suppliers for re-use of broken cullets.

  Your Company is additionally working towards compliance on anticipated future requirements like proposed plastic waste management rules and extended supplier responsibilities thereupon.

4. Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of product and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

   More than 90% of waste water generated in factories, after-treatment, recycled back for use. Also more than 90% of the solid waste generated in the manufacturing locations are recycled through authorized recyclers. We source significant proportion of sustainable packing for the product packaging, with at least >20% recycled content and plan to increase further in future.

Principle 3 : Company's efforts to promote the wellbeing of all employees

1. *Please indicate the total number of employees*
   We have 4427 employees including Executive, permanent workmen and staff.
2. *Please indicate the total number of employees hired on temporary/contractual/casual basis.*
   We have hired 3706 contract or temporary employees and retainers/consultants
3. *Please indicate the number of permanent women employees.*
   We have 363 permanent women employees.
4. *Please indicate the Number of permanent employees with disabilities.*
   12
5. *Do you have an employee association that is recognized by management?*
   Yes.
6. *What percentage of your permanent employees/is members of this recognized employee association?*
   54% of our permanent employees are members of this recognized employee association.
7. *Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.*

   During the financial year 2017-18, 2 (two) sexual harassment complaints were reported and resolved.
8. *What percentage of your under mentioned employees were given safety and skill upgradation training in the last year?*
   a. Permanent Employees : 66%
   b. Permanent Women Employees : The data is covered under permanent employees. No separate tracking is done for women employees.
   c. Casual/Temporary/Contractual Employees : 64%
   d. Employees with Disabilities : Nil

Principle 4: Company's efforts to respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. *Has the Company mapped its internal and external stakeholders? Yes/No*
   Yes.
2. *Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?*
   Yes.
3. *Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.*

ANNEXURE 9 *(CONTINUED)*

Your Company, has launched Project S.H.E. (Security-Heath-Education) which is a grass roots level community programme designed to improve the lives of people in the communities around its plants with particular emphasis on empowering women. In the first year of the program, five manufacturing site locations have been identified to roll out the program. For FY 2017-18, total water replenished is 300 Km^3 which is an integrated program under S.H.E. which reaches out to more than 40,000 beneficiaries at 6 bottling plant locations covering 15 villages.

Rain water recharging system has been installed at 4 locations (Nasik, Aurangabad, Baramati, and Pioneer) during the year. This will reduce annually 300,000 m^3 of water extraction for operations (Volume of 120 Olympic sized swimming pools). The rain water recharging system at Pioneer Distillery has a potential to reduce annually ~150,000 m^3 of water extraction for operations (Volume of 60 Olympic sized swimming pools). We have achieved a 100% return of waste water from our operations to the environment safely.

The program targets to touch over 40,000 people in the 13 direct intervention villages in the five plant locations. The program will focus on:

- Security: Improving access and availability of drinking water & basic sanitation through water conservation.
- Health: Community preventive care and healthcare for women/young mothers & adolescent girls.
- Education: job-oriented skills and entrepreneurship training for women.

Your Company, as part of their CSR activities has taken up two very crucial initiatives relating to road safety - the dangers of drinking and driving & Importance of having a 'sober designated driver'. We have a robust program which helps create awareness on road safety from university students to commercial drivers.

Principle 5: Company's efforts to promote human rights

1. *Does the policy of the company on human rights cover only the Company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?*

   The Code of Business Conduct & Ethics (CoBCE) is the key policy governing the compliance and ethics framework of the Company and extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs.

   Additionally, during the year revised CoBCE has been rolled out to other USL subsidiaries, namely, Pioneer Distilleries Limited, Sovereign Distilleries Limited, Tern Distilleries Private Limited, Royal Challenge Sports Private Limited and Four Seasons Wines Limited, through adoption of the policy by the respective Boards and training to the employees of the respective subsidiaries.

2. *How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?*

   During the year 95 cases were logged in SpeakUp (our whistle blower portal), which included 24 cases in the nature of HR grievances and only 26% of cases being substantiated. All of the above cases have been closed and satisfactorily resolved.

Principle 6: Company's efforts towards environment protection

1. *Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/ others.*

   The Policy is applicable to Group companies of your Company.

2. *Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.*

   Yes, your Company's sustainability strategies targets 2020, baseline reporting year as 2007 as explained below for each of the parameters.

   Water:
   - Reduce water use through a 50% improvement in water use efficiency.
   - Return 100% of waste water from our operations to the environment safely.
   - Replenish the amount of water used in our final product in water stressed areas.

   Carbon:
   - Reduce absolute greenhouse gas emissions from direct operations by 50%

   Waste:

   Achieve zero waste to landfill. www.diageoindia.com.

ANNEXURE 9 *(CONTINUED)*

3. *Does the Company identify and assess potential environmental risks? Y/N*

   Yes the Company have any project related to Clean Development Mechanism(CDM)? If so, provide details there of, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

   Your Company is committed to Carbon footprint reduction. USL has reduced carbon emission by 70% with respect to 2007 baseline through implementation of multiple projects to meet demand of operation through renewable fuel and in-house power generation. Your Company developed a strategy to increase Steam Turbine & Solar Power generation in factories.

4. *Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.? Y/N. If yes, please give hyperlink for web page etc.*

   Yes, Your Company has invested in multiple projects over last the few years and has ensured significant reduction in emissions through clean technology. The following link provides detailed information: http://www.diageo.com/en-row/csr/casestudies/Pages/moving-fast-to-displace-fossil-fuels.aspx.

5. *Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?*

   Yes.

6. *Number of show cause / legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.*

   No Pending notices which are not responded properly and resolved to satisfaction level.

Principle 7 : Company's efforts to responsibly engage while influencing public and regulatory policy

1. *Is your company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:*
   (a) International Spirits and Wines Association of India (ISWAI)
   (b) Confederation of Indian Alcoholic Beverage Companies (CIABC)
   (c) Retailers Association of India (RAI)
   (d) United Nations Global Compact (UNGC)

   In addition to UNGC and RAI platforms, we strongly advocate and support Sustainable Development Goals (SDGs) through our projects and campaigns.

2. *Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)*

   Yes. USL Diageo is a founding signatory of the Beer, Wine and Spirits Producers' Global Commitments, an ambitious set of targets aimed at making measurable progress in the following five areas, which we have advocated through the associations:

   - Reducing underage drinking
   - Strengthening and expanding marketing codes of practice
   - Providing consumer information and responsible product innovation
   - Preventing drinking and driving
   - Enlisting the support of retailers to reduce harmful drinking

Principle 8 : Company's efforts to support inclusive growth and equitable development

1. *Does the Company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8? If yes details thereof.*

   Your Company's priorities in India aim to enrich lives, communities and the environment through good business encompassing 3 key areas:

   1. Tackling alcohol misuse and promoting Responsible Drinking, focusing on drunk driving; underage drinking and industry collaboration
   2. Empowering women, focusing on education and skills

ANNEXURE 9 *(CONTINUED)*

3. Benefiting the communities around our plants, focusing on sanitation and health including Water.

Key campaigns / wins / achievements / leadership in Tackling alcohol misuse and promoting Responsible Drinking are given below-

(a) **Diageo 'Road to Safety'**

Realizing that consumer goods companies like Diageo and your Company can succeed only when they fulfil their responsibilities to society and the communities, and when they are committed to the safety and well-being of their consumers, the company makes full use of its knowledge of consumer insights by designing suitable programmes that are aimed at creating awareness, changing attitudes and shifting behaviour.

(b) **The need of the hour: 'Road Safety in India'**

The alarming incidence of road accidents is a matter of serious concern. India alone accounts for more than 12 per cent of the worldwide annual average of 1.24 million global road fatalities. Diageo and United Spirits'"Road to Safety" programme focuses on preventing drink driving, underage drinking and excessive drinking in India. There are two big programmes under this campaign. The first is a national programme spanning 64 cities across 20 Indian states in partnership with the Institute of Road Traffic Education (IRTE) and the Ministry of Road Transport & Highways. The second 'Diageo-NDTV Road to Safety is a partnership with NDTV to educate and inspire citizens to action by highlighting critical issues including lack of safety awareness, public apathy towards accident victims and a widening gap between legislation and enforcement.

(c) **Key community programmes**

(i) **<u>Women Empowerment</u>:**

Our values, our reputation and our purpose are important drivers of our commercial success. In this context, our Women's Empowerment program is an investment in our business. It will help us to grow the economies in which we operate, and to develop skills in the hospitality sector that are critical for our continued success. Those programmes are summarized below.

India, our bottling plants and distilleries are mostly situated in semi-urban and rural areas, where communities often lack basic infrastructure necessary for dignified living. We have consciously decided to take an integrated approach by not just improving water efficiencies in our operations but also in our communities by providing access to clean drinking water, sanitation, healthcare facilities, education and employable skills to bridge the developmental gap.

To ensure that we create shared value through our efforts, we collaborate with community, their local elected institutions (Panchayats), government, NGOs and other community based organizations creating deeper and wider impact.

In Alwar, Rajasthan we have our distilling and bottling plant surrounded by 3 key villages from where most of our workforce comes from. This unit scores very high on diversity, safety and performance amongst the peer units. Our integrated approach for holistic development in these three villages has won us great relationship, trust and reputation with the key stakeholders. We have set up institutional mechanisms by first setting up Water, Sanitation and Health (WASH) committee mostly represented by women in these villages. These WASH committees mobilize larger community members to participate in identifying and solving challenges such as water, sanitation and livelihood. The WASH Committees are technically supported by our NGO partner who have mainstreamed these committee in the formal village development committees under Panchayat. Additional capacity of 125000 Cub Meter (equal to fill more than 50 Olympic size swimming pools) was is generated through Rain water harvesting structures, pond desilting and better water management practices. Earlier women had to walk the distance to fetch water, now these villages have 100% piped water facility at home. With piped water availability, the village committed to become 100% 'open defecation free', which they achieved and got rewarded by the government. The additional water stored in these ponds was then used for fisheries for which the panchayat earns money by subletting that facility to contractors.

1. In sanitation, the women had limited or expensive access to sanitary napkins. A self-help group (SHG) of 20 women was trained and supported to set up a micro enterprise to produce low cost sanitary napkins. They are producing and marketing it to more than 20 villages by not only earning but improving sanitation for more than 5000 women.

ANNEXURE 9 *(CONTINUED)*

2. Through our efforts where we are empowering, guiding, mentoring and handholding the communities around our units have learnt to solve their issues and challenges through collaboration in more sustainable way which is driving value for our business, our communities and our partners.
   - Project SHE:
   - Benefited over 40000 people in the villages, of which 45% are women
   - Established resource centres, and water, sanitation and health (WASH) committees in 12 villages to oversee water resource management.
   - Constructed 104 soak pits, rainwater harvesting structures, drainage systems, and repaired 51 hand pumps.
   - Constructed toilet blocks in schools
   - Trained villagers on groundwater management
   - Installed 3 RO water purification systems in schools.
   - Built 58 community & SMART toilets
   - Conducted health and hygiene programmes to spread awareness on reproductive health, menstrual and personal hygiene
   - Imparted employable skill training to community women

   Model Village Program: With the vision to have a model solution for women's groups who are challenged due to alcohol misuse, two 'Model Villages' were created where we are trying to address the concerns of women's groups through a focused program. The three pillars of the initiative will be:

   - Focused livelihood generation plans where we create an alternate revenue stream of income
   - Ensure adequate health check-ups for the target population
     a. Screening and counselling for those falling under the category of 'alcoholics'
     b. Regular health checkup camps
   - Widespread motivation and awareness campaign on the perils of irresponsible consumption and harms of illicit through street plays, meetings and discussion forums.

(ii) **WASH: Water, Safety, Health, Education:**

We have a grass-roots program to build thriving communities around our plants. Your Company's bottling plants are mostly situated in semi- urban areas with its distilleries mostly situated in rural areas. These communities lack basic infrastructure necessary for a dignified living. We are investing in programmes to benefit 18,000 women and 22,000 men in and around five key plants to develop safety, health and education through:

- Safe access to water
- Healthcare
- Employable skills training

For FY 2017-18, total water replenished is 300 k m which is an integrated program under SHE which reaches out to more than 40,000 beneficiaries at 6 bottling plant locations covering 15 villages.

2. *Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?*

   The programs are undertaken through reputed NGO partners and relevant organizations. We look at government partnerships in all our programs.

3. *Have you done any impact assessment of your initiative?*

   Yes, all our programs have strong measurement metrics built into them.

4. *What is your Company's direct contribution to community development projects-*

   Amount in INR and the details of the projects undertaken.

   - Road to Safety- INR 30.2 Million
   - Women Empowerment program: INR 14.5 Million
   - Water : INR 27.6 Million
   - Underage Drinking: INR 8 Million
   - Community empowerment program : INR 22.9 Million

ANNEXURE 9 *(CONTINUED)*

5. *Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.*

   Extensive community outreach has been built in our programs. We have created strong Self Help Groups (SHG) and WASH (Water, Sanitation and Hygiene) committees to ensure engagement, involvement and adoption by the community.

   A common thread across locations has been the many effective meetings of the WASH (Water, Sanitation and Hygiene) committees to understand the counteracting forces by assessing cultural backgrounds of the users of the water and sanitation facilities planned under S.H.E to:
   - Raise ownership
   - Increase potential of success
   - Mitigate risks
   - Diminish failure (e.g. to ensure that systems are not used to sabotage/vandalise)

Principle 9: Company's efforts to engage with and provide value to their customers and consumers in a responsible manner

1. *What percentage of customer complaints/consumer cases are pending as on the end of financial year.*

   In this financial year, we received 33 customer complaints and all have been addressed and closed. 17 Consumer cases were registered with the respective Forums, out of which 3 are closed and 14 are still pending.

2. *Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/N.A. / Remarks(additional information)*

   Yes. Generally we have front and back label for few brands and few have a single label.

   Back Label – We print following mandatory details
   1. Branding
   2. MRP
   3. Manufacturing unit address
   4. Reg. office address
   5. FSSAI License number
   6. Customer care phone number and Mail ID.
   7. Ingredients
   8. Quantity and strength declarations
   9. Batch number and date of manufacturing
   10. Bar code
   11. Excise mandates as per state excise regulation.
   12. Country of Origin.

   Front Label – We include:
   1. Branding
   2. Brand Claim / Brand Story
   3. Brand Assets

3. *Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.*

   Nil

4. *Did your Company carry out any consumer survey/ consumer satisfaction trends?*

   Yes. Your Company conducts various researches to make sure the best in class offer goes in the market; and also there is a regular survey in place to track consumer feedback on brand metrics. We use Neurotool to evaluate blends, packs, communication for our core brands; we have Brand track to monitor brand equity, Quality, awareness, penetration at regular intervals.

   We are also undertaking extensive Shopper studies across different consumer segments this year, to understand consumers' purchase journey and decision-making to identify how our brands are influencing the shopper/consumer during the purchase journey to win at the point of purchase.

   There is another study currently running, which is about 'Quality at shelf display'– this is a qualitative survey to understand consumer acceptability of our brands from both retailer and consumers perspective.

INDEPENDENT AUDITORS' REPORT

To the Members of United Spirits Limited

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying standalone Ind AS financial statements of United Spirits Limited("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements to give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design,implementation and maintenance of adequate internal financial controls,that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

4. We have taken into account the provisions of the Act and the Rules made thereunder including the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

9. We draw attention to the following matters:

   a) As explained in Note 42 to the standalone Ind AS financial statements, the Managerial remuneration for the year ended March 31, 2015 included amounts paid to managerial personnel in excess of the limits prescribed under the provisions of Schedule V to the Act by INR 51 million to the Managing Director and Chief Executive Officer (MD & CEO) and by INR 134 million to the former Executive Director and

Chief Financial Officer (ED & CFO). With regard to excess remuneration paid to MD & CEO the Company has made the necessary application, along with the required clarifications, for Central Government approval, response to which is awaited. Further, in respect of excess remuneration paid to the former ED & CFO the Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration.

b) As explained in Note 40 to the standalone Ind AS financial statements, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed transactions indicating actual or potential fund diversions to entities that appear to be affiliated or associated with the erstwhile non-executive Chairman of the Company and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Company or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Company, if any, arising from potential non-compliances with applicable laws in respect of the above.

c) As explained in Note 44 to the standalone Ind AS financial statements, the Company is in litigation with a bank ('the Bank') that continues to retain the pledge of certain assets of the Company and of the Company's shares held by USL Benefit Trust (of which the Company is sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Honourable High Court of Karnataka (the 'Court'). The Court has directed the Bank not to deal with the pledged assets of the Company (including Company's shares held by USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Company in the Court.

d) Note 46 to the standalone Ind AS financial statements which describes the uncertainty related to the outcome of Special Leave Petition (the "SLP") filed by the Government of Bihar with the Honourable Supreme court, in relation to the ban imposed by the Government of Bihar on trade and consumption of Indian Made Foreign Liquor and Foreign Liquor in the State of Bihar with effect from April 5, 2016 which was set aside by the Honourable High Court of Patna in its judgment dated September 30, 2016. The statutory duties (VAT and Excise duty) paid on such stocks aggregating to INR 553 million (including duties paid by the tie-up manufacturing units) have been considered as good and receivable from the Government of Bihar not withstanding a letter received during the quarter ended September 30, 2017 by the Company from the Government of Bihar stating that it is not liable to refund the aforesaid statutory duties under the Bihar Prohibition and Excise Act, 2016. The Company has on October 17, 2017, filed a writ petition before the Honourable High Court of Patna seeking refund of the aforesaid statutory duties paid by the Company to the Government of Bihar, which is presently pending adjudication.

e) Note 43 to the standalone Ind AS financial statements:

i. regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Company's Initial Inquiry and Additional Inquiry and certain aspects of the agreement between the Company and its erstwhile non-executive chairman to which the Company has responded;

ii. regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Act by Ministry of Corporate Affairs/ Registrar of Companies, Karnataka, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. Further, the Company has received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. The Company has filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and has requested the Registrar to drop one show cause notice based on an expert legal advice received;

iii. regarding the ongoing investigation by the Directorate of Enforcement under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company has responded; and

iv. regarding clarifications sought by Authorised Dealers in relation to certain queries from Reserve Bank of India with regard to remittances made in

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

prior years to subsidiaries of the Company, past acquisition of the Whyte and Mackay group, clarifications on Annual Performance Reports submitted for prior years and clarifications on compliances relating to the Company's overseas Branch office, to which the Company has responded.

Our opinion is not modified in respect of the matters described above.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of Section 143(11) of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

11. As required by Section 143 (3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

(e) The matters stated in paragraphs (b), (c), (d) and (e) of paragraph 9 above titled 'Emphasis of matter', in our opinion, may have an adverse effect on functioning of the Company.

(f) On the basis of the written representations received from the directors as on March 31, 2018 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

(h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

i) The Company has disclosed the impact, if any, of pending litigations as at March 31, 2018 on its financial position in its standalone Ind AS financial statements – Refer Notes 18, 41, 42, 44, 46 and 49 to the standalone Ind AS financial statements;

ii) The Company did not have any long-term contracts including derivative contracts as at March 31, 2018 for which there were any material foreseeable losses- Refer Note 55 to the standalone Ind AS financial statements;

iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018; and

iv) The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 24, 2018

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 11(g) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2018

Report on the Internal Financial Controls under Section 143(3)(i)of the Act

1. We have audited the internal financial controls over financial reporting of United Spirits Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail,accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 24, 2018

ANNEXURE B TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2018

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The title deeds of immovable properties, as disclosed in Note 3.1 (Property, plant and equipment) and Note 13 (Assets classified as held for sale) to the standalone Ind AS financial statements, are held in the name of the Company except as disclosed below:

Particulars	Freehold land	Leasehold land	Buildings
Property, plant and equipment:			
Number of cases	6	4	5
Gross carrying amount as at March 31, 2018 (INR millions)	241	36	431
Net carrying amount as at March 31, 2018 (INR millions)	241	21	393
Assets classified as held for sale:			
Number of cases	-	-	2
Net carrying amount as at March 31, 2018 (INR millions)	-	-	2

ii. The physical verification of inventory excluding stocks with third parties and stock in transit have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. There are no companies covered in the register maintained under Section 189 of the Act for the purpose of loans granted by the Company.

iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act in respect of the loans and investments made and guarantees and securities provided by it.

v. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 73, 74, 75 and 76 or any other relevant provisions of the Act and the Rules framed thereunder to the extent notified, with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

vi. The Central Government of India has not specified the maintenance of cost records under Section 148(1) of the Act for any of the products of the Company.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues in respect of provident fund, employees' state insurance, tax deducted at source, tax collected at source, value added tax, entry tax, service tax, krishi kalyan cess and swachh bharat cess though there has been delays in some cases and is regular in depositing other undisputed statutory dues including sales tax,duty of excise, duty of customs, goods and service tax with effect from July 1, 2017 and other material statutory dues, as applicable, with appropriate authorities.

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

The extent of the arrears of statutory dues outstanding as at March 31, 2018, for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of dues	Amount (INR million)	Period to which the amount relates	Due date	Date of Payment
Maharashtra Stamp Act, 1958	Stamp duty and interest thereon	200 #	September 2006	September 2006	Not yet paid
Income Tax Act, 1961	Tax deducted at Source	18	March 2017 to August 2017	7th of next month	May 18, 2018
West Bengal Tax on Entry of Goods into Local Areas, 2012	Entry tax	1	April 2017 to June 2017	July 6, 2017	April 23, 2018

Estimated amount of liability including interest for delay in payment.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, service tax, duty of customs,duty of excise, entry tax and value added tax as at March 31, 2018 which have not been deposited on account of a dispute are disclosed in Appendix 1.

viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in the repayment of loans or borrowings to any financial institution or bank or dues to the debenture holders as at the balance sheet date. The Company does not have any loans or borrowings from the Government as at balance sheet date.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. Read with paragraph 9(a) of our report of even date on the standalone Ind AS financial statements, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone Ind AS financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules 2014.

xiv. The Company has not made any preferential allotment of shares or fully or partly convertible debentures during the year. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any noncash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 24, 2018

APPENDIX 1 – PARTICULARS OF TAX DUES NOT DEPOSITED ON ACCOUNT OF A DISPUTE*

Referred to in paragraph vii(b) of Annexure B to the Independent Auditors' Report to the members of United Spirits Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2018.

(All amounts in INR Millions except for per share data or as otherwise stated)

Name of the statute	Nature of dues	Disputed amount (INR millions)#	Amount paid under protest (INR millions)#	Unpaid Amount (INR millions)#	Period to which the amount relates (Financial Year)	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	563	563	-	2006-07 to 2008-09	Assessing Officer of Income Tax
Income Tax Act, 1961	Income Tax	6,438	-	6,438	2013-14	Dispute Resolution Panel
Income Tax Act, 1961	Income Tax	917	698	219	2003-04 to 2005-06, 2007-08 to 2010-11, 2013-14	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	10,038	3,432	6,606	1988-89 to 1993-94, 1996-97 to 1998-99, 2000-01, 2003-04, 2005-06, 2006-07, 2008-09, 2009-10, 2011-12, 2012-13	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	1,679	-	1,679	1993-94 to 2004-05	High Courts of various states
Customs Act, 1962	Custom Duty	5	-	5	1993-1994 to 1995-96	High Courts of various states
Customs Act, 1962	Custom Duty	0	-	0	1997-98	Commissioner of Customs
Service Tax - Finance Act 1994	Service Tax	293	31	262	2004-05 to 2006-07, 2009-10 and 2010-11	Customs Excise and Service Tax Appellate Tribunal
Service Tax - Finance Act 1994	Service Tax	1	-	1	2012-13	High Court of Kerala
Central Excise Act, 1944	Central Excise Duty	1,095	70	1,025	1997-98 to 2003-04	Customs, Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Central Excise Duty	378	-	378	1999-00, 1994-95,1995-96 and 2012-13 to 2016-17	Commissioner of Central Excise
Various State Excise Acts	State Excise	69	3	66	1987-88, 2003-04 and 2005-06	Additional Commissioner of Excise
Various State Excise Acts	State Excise	9	-	9	1984-85, 2003-04, 2009-10, 2012-13, 2013-14 and 2016-17	Additional District Magistrate
Various State Excise Acts	State Excise	27	-	27	1987-88, 2003-04 and 2005-06	State Taxation Tribunal
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	13	-	13	1993-94	Civil Court, West Bengal
Various State Excise Acts	State Excise	0	-	0	1994-95 and 2014-15	Collector of State Excise
Various State Excise Acts	State Excise	122	11	111	1980-81 to 1988-89, 1993-94 to 1998-99, 2002-03 to 2009-10, 2011-12, 2013-14 to 2016-17	Commissioner of State Excise

* As represented by the management.
# '0' indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are Nil.

APPENDIX 1 – PARTICULARS OF TAX DUES NOT DEPOSITED ON ACCOUNT OF A DISPUTE* *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

Name of the statute	Nature of dues	Disputed amount (INR millions)#	Amount paid under protest (INR millions)#	Unpaid Amount (INR millions)#	Period to which the amount relates (Financial Year)	Forum where the dispute is pending
Various State Excise Acts	State Excise	459	137	322	1972-73, 1973-74, 1980-81 to 1982-84 to 1993-94, 1996-97 to 2016-17	High Courts of various states
Various State Excise Acts	State Excise	11	-	11	2014-15	Superintendent of State Excise
Various State Excise Acts	State Excise	1,234	75	1,159	1971-72, 1992-93, 1996-97, 2002-03	Supreme Court
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	21	0	21	2003-04, 2004-05, 2006-07 to 2013-14, 2016-17 and 2017-18	Additional Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	15	-	15	1993-94, 2003-04, 2005-06	Commercial Taxes Appellate Tribunal and Revisionary Board
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	249	47	202	1987-88,1990-91, 1992-93 to 2000-01, 2004-05, 2005-06, 2007-08, 2009-10 to 2013-14, 2015-16	Commercial Taxes Appellate Tribunal
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	132	40	92	1994-95 to 1996-97, 2005-06, 2006-07, 2009-10 to 2013-14, 2016-17	Assistant Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	43	-	43	1996-97 and 2006-07	Civil Court, Karnataka
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	32	6	26	1993-94 to 1997-98, 2010-11 to 2014-15	Commercial Tax Officer
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	760	-	760	2015-16	Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	213	53	160	1985-86, 1989-90, 2004-05 to 2013-14 and 2015-16 and 2017-18	Deputy Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	198	157	41	1978-79 to 1984-85, 1988-89, 1989-90, 1992-93, 1993-94, 1996-97 to 2001-02, 2007-08 and 2009-10 to 2011-12	High Courts of various states
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	722	351	371	2000-01 to 2012-13, 2017-18	Joint Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	55	-	55	2007-08	Supreme Court
Various Entry Tax Acts	Entry Tax	24	16	8	2000-01, 2004-05 and 2007-08	Commercial Taxes Appellate Tribunal
Various Entry Tax Acts	Entry Tax	0	0	0	1989-90	Assessing Officer

* As represented by the management.
# '0' indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are Nil.

APPENDIX 1 – PARTICULARS OF TAX DUES NOT DEPOSITED ON ACCOUNT OF A DISPUTE*

(All amounts in INR Millions except for per share data or as otherwise stated)

Name of the statute	Nature of dues	Disputed amount	Amount paid under protest (INR millions)#	Unpaid Amount (INR millions)#	Period to which the amount relates (Financial Year)	Forum where the dispute is pending
Various Entry Tax Acts	Entry Tax	37	-	37	2010-11 to 2012-13	Deputy Commissioner of Commercial Taxes
Uttar Pradesh Tax on Entry of Goods into Local Area Act, 2007	Entry Tax	27	-	27	2005-06	High Court of Allahabad
Various Entry Tax Acts	Entry Tax	7	1	6	2007-08 to 2010-11	Joint Commissioner of Commercial Taxes
Various Entry Tax Acts	Entry Tax	249	33	216	2003-04 to 2013-14	Supreme Court

* As represented by the management.

'0' indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are Nil.

BALANCE SHEET

(All amounts in INR Millions except for per share data or as otherwise stated)

	Notes	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	9,901	11,751
Capital work-in-progress		980	851
Intangible assets	3.2	120	121
Financial assets			
Loans	4	5,800	6,444
Other financial assets	5	743	1,106
Investments in subsidiaries	6	2,775	3,238
Deferred tax assets (net)	7	856	1,241
Income tax assets (net)	8	5,600	2,886
Other non-current assets	9	3,922	3,484
Total non-current assets		**30,697**	**31,122**
Current assets			
Inventories	10	18,694	18,538
Financial assets			
Trade receivables	11	26,998	29,605
Cash and cash equivalents	12.1	1,119	439
Bank balances other than cash and cash equivalents	12.2	79	84
Loans	4	263	189
Other financial assets	5	2,316	1,540
Other current assets	9	5,132	6,132
Total current assets		**54,601**	**56,527**
Assets classified as held for sale	13	1,417	316
Total assets		**86,715**	**87,965**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,453	1,453
Other equity			
Reserves and surplus	15	23,585	17,925
Total equity		**25,038**	**19,378**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	16	7,527	8,569
Provisions	18	512	422
Total non-current liabilities		**8,039**	**8,991**

BALANCE SHEET *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	Notes	As at March 31, 2018	As at March 31, 2017
Current liabilities			
Financial liabilities			
Borrowings	16	21,435	28,272
Trade payables	19	14,240	11,798
Other financial liabilities	17	6,185	9,153
Provisions	18	2,930	2,615
Income tax liabilities (net)	8	4,577	3,317
Other current liabilities	20	4,271	4,441
Total current liabilities		**53,638**	**59,596**
Total liabilities		**61,677**	**68,587**
Total equity and liabilities		**86,715**	**87,965**

The above balance sheet should be read in conjunction with the accompanying notes.

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 24, 2018

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director &
Chief Executive Officer

V K Viswanathan
Director

Sanjeev Churiwala
Executive Director &
Chief Financial Officer

Place : Bengaluru
Date : May 24, 2018

V Ramachandran
EVP & Company Secretary

STATEMENT OF PROFIT AND LOSS

(All amounts in INR Millions except for per share data or as otherwise stated)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue			
Revenue from operations	21	260,691	253,988
Other income	22	2,060	1,111
Total income		**262,751**	**255,099**
Expenses			
Cost of materials consumed	23	40,693	46,342
Purchase of stock-in-trade		2,375	2,058
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	(177)	444
Excise duty		178,990	168,512
Employee benefits expense	25	6,601	6,674
Finance costs	26	2,611	3,690
Depreciation, amortisation and impairment expense	3.1,3.2	1,351	1,323
Others:			
Advertisement and sales promotion		7,882	6,667
Other expenses	27	14,112	13,581
Total expenses		**254,438**	**249,291**
Profit before exceptional items and tax		**8,313**	**5,808**
Add/ (Less): Exceptional items (net)	28	90	(3,262)
Profit before tax		**8,403**	**2,546**
Income tax expense:			
Current tax	29	2,401	549
Deferred tax charge	7	385	271
MAT credit utilised		-	27
Total Income tax expense		2,786	847
Profit for the year		**5,617**	**1,699**
Other comprehensive Income			
A. Items that will be reclassified to profit or loss		-	-
B. *Items that will not be reclassified to profit or loss*			
(i) Changes in fair value of FVOCI equity instruments		-	18
(ii) Remeasurements of post-employment benefit obligations		126	735
(iii) Income tax credit / (charge) relating to these items		(43)	(254)
Other comprehensive income for the year, net of income tax		**83**	**499**
Total comprehensive income for the year		**5,700**	**2,198**
Basic and diluted earnings per share (INR)	30	38.65	11.69

The above statement of profit and loss should be read in conjunction with the accompanying notes.

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 24, 2018

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
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Director

Place : Bengaluru
Date : May 24, 2018

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V Ramachandran
EVP & Company Secretary

CASH FLOW STATEMENT

(All amounts in INR Millions except for per share data or as otherwise stated)

		Notes	For the year ended March 31, 2018		For the year ended March 31, 2017	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before tax			**8,403**		**2,546**
	Adjustments for					
	Depreciation, amortisation and impairment expense	3	1,351		1,323	
	Employee share-based payment expense	25	84		57	
	Impairment in the value of Investment in subsidiaries	28(d)	463		552	
	Provision for advances to subsidiaries written back	28(g)	-		(819)	
	Allowance for doubtful loans / interest to subsidiaries	28(e)	450		330	
	Reversal of allowance for doubtful loans	28(f)	(636)		-	
	Write down in the value of plant and equipment	28(b)	-		217	
	Impairment loss recognized on Buildings and Plant and Equipment in relation to certain manufacturing units	28(c)	126		-	
	Reversal of provision against claims	28(k)	-		(28)	
	Allowance for doubtful receivables/ advances/ deposits net, arising from initial inquiry written back	28(l)	-		(12)	
	Bad debts / advances / deposits written off	27	10		19	
	Provision for doubtful debts / advances / deposits	27	1,503		43	
	Exchange gain (net)		(15)		129	
	Finance costs	26	2,611		3,690	
	Liabilities, provisions or allowances no longer required written back	22	(477)		(514)	
	Gain on disposal of property, plant and equipment (net)	22, 27	(1,117)		(337)	
	Dividend income	22	(38)		(50)	
	Interest income	22	(406)		(202)	
	Interest income on loan to subsidiary relating to earlier years	28(h)	(497)		-	
	Gain on disposal of Investment in subsidiary	28(i)	(148)	**3,264**	-	**4,398**
				11,667		**6,944**
	Operating profit before working capital changes					
	(Increase) / decrease in trade receivables		1,407		(6,712)	
	(Increase) / decrease in loans and other financials assets		3		1,193	
	(Increase) / decrease in non-financials assets		653		(327)	
	(Increase) / decrease in inventories		(156)		461	
	Increase / (decrease) in trade payables		2,612		2,027	
	Increase / (decrease) in other financial liabilities		(3,062)		3,572	
	Increase / (decrease) in other liabilities		(170)		804	
	Increase / (decrease) in provisions		407	**1,694**	714	**1,732**
	Cash generated from operations			**13,361**		**8,676**
	Income taxes paid			(3,898)		(1,943)
	Net cash inflow from operating activities			**9,463**		**6,733**

CASH FLOW STATEMENT *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

		Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
B.	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of property, plant and equipment		(1,332)	(2,037)
	Proceeds from sale of property, plant and equipment		1,373	528
	Proceeds from sale of non-current investments	47	213	111
	Investment in subsidiaries		-	-
	Loans given to subsidiaries		(1,166)	(938)
	Repayment of loans from subsidiaries		2,345	1,195
	Interest received		79	202
	Dividend received	22	38	50
	Net cash inflow / (outflow) from investing activities		**1,550**	**(889)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from borrowings	16	60,712	22,250
	Repayment of borrowings	16	(68,602)	(24,005)
	Interest paid	16, 26	(2,443)	(3,698)
	Net cash inflow / (outflow) from financing activities		**(10,333)**	**(5,453)**
	Net increase / (decrease) in cash and cash equivalents		**680**	**391**
	Cash and cash equivalents as at the beginning of the year		439	48
	Cash and cash equivalents as at the end of the year	12.1	1,119	439
			680	**391**

The above statement of cash flows should be read in conjunction with the accompanying notes.

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 24, 2018

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

V K Viswanathan
Director

Place : Bengaluru
Date : May 24, 2018

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V Ramachandran
EVP & Company Secretary

STATEMENT OF CHANGES IN EQUITY

(All amounts in INR Millions except for per share data or as otherwise stated)

A. Equity (Refer Note 14)

Particulars	Amount
Equity share capital As at April 1, 2016	**1,453**
Changes in equity share capital	-
Equity share capital As at March 31, 2017	**1,453**
Changes in equity share capital	-
Equity share capital As at March 31, 2018	**1,453**

B. Other equity (Refer Note 15)

Particulars	Reserves and surplus								Other reserves	Total
	Capital reserve	Capital redemption reserve	Securities premium account	Central subsidy	Share based incentive reserve	Contingency reserve	General reserve	Retained earnings	Total	FV OCI - Equity Instruments	
Balance as at April 1, 2016	**683**	**699**	**45,682**	**2**	**-**	**110**	**11,033**	**(42,590)**	**15,619**	**68**	**15,687**
Profit for the year	-	-	-	-	-	-	-	1,699	1,699	-	1,699
Other Comprehensive income (OCI)	-	-	-	-	-	-	-	735	735	18	753
Tax impact of OCI items	-	-	-	-	-	-	-	(254)	(254)	-	(254)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,180**	**2,180**	**18**	**2,198**
Share based incentives	-	-	-	-	40	-	-	-	40	-	40
Transferred to retained earnings on sale of equity investments	-	-	-	-	-	-	-	86	86	(86)	-
Balance as at March 31, 2017	**683**	**699**	**45,682**	**2**	**40**	**110**	**11,033**	**(40,324)**	**17,925**	**-**	**17,925**
Profit for the year	-	-	-	-	-	-	-	5,617	5,617	-	5,617
Other Comprehensive income (OCI)	-	-	-	-	-	-	-	126	126	-	126
Tax impact of OCI items	-	-	-	-	-	-	-	(43)	(43)	-	(43)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,700**	**5,700**	**-**	**5,700**
Share based incentives	-	-	-	-	20	-	-	-	20	-	20
Payments during the year towards share based incentives	-	-	-	-	(60)	-	-	-	(60)	-	(60)
Balance as at March 31, 2018	**683**	**699**	**45,682**	**2**	**-**	**110**	**11,033**	**(34,624)**	**23,585**	**-**	**23,585**

The above statement of changes in equity should be read in conjunction with accompanying notes.

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 24, 2018

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

V K Viswanathan
Director

Place : Bengaluru
Date : May 24, 2018

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V Ramachandran
EVP & Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

Company overview

United Spirits Limited ("the Company" or "USL") is a public company domiciled and headquartered in Bengaluru, Karnataka, India. It is incorporated under the Companies Act, 1956 and its shares are listed on the BSE Limited and National Stock Exchange of India Limited. The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing and through strategic franchising of some of its brands.

These financial statements are approved for issue by the Company's Board of Directors on May 24, 2018.

Note 1 - Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation of financial statements

(i) *Compliance with Ind AS*

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

Effective April 1, 2016, the Company has adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101 First time adoption of Indian Accounting Standards, with April 1, 2015 as the transition date. The transition was carried out from financial statements prepared as per accounting standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(ii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- defined benefit plans- plan assets measured at fair value;
- share-based payment obligations measured at fair value; and
- assets held for sale – measured at lower of cost and fair value less costs to sell

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of asset for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current / non- current classification of assets and liabilities.

(iii) *Amended standards adopted by the Company*

The amendment to Ind AS 7 requires disclosure of changes in liabilities arising from financing activities, See Note 16.

1.2 Foreign currency translation

(i) *Functional and presentation currency*

The financial statements are presented in Indian Rupee (INR), which is company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in Statement of profit and loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in the Statement of profit and loss as part of fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.3 Property, plant and equipment and Intangible assets

Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any except that on adoption of Ind AS, the Company had measured Property, plant and equipment at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to Statement of profit and loss during the reporting period in which they are incurred.

The cost of property, plant and equipment which are not ready for their intended use at the balance sheet date, are disclosed as capital work-in-progress.

Depreciation methods, estimated useful lives and residual value

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

Asset category	Useful life (in years)	Basis of determination of useful lives
Buildings		
- Roads	5	Assessed to be in line with Schedule II of the Act
- Buildings	30 - 60	Assessed to be in line with Schedule II of the Act
Plant and equipment		
- Wooden casks	7.5 - 15	Management estimate
- Others	7.5 – 15	Assessed to be in line with Schedule II of the Act and, management estimate
Furniture and Fittings	10	Assessed to be in line with Schedule II of the Act
Office Equipment		
- Computers	3	Assessed to be in line with Schedule II of the Act
- Servers	3	Management estimate
- Others	5	Assessed to be in line with Schedule II of the Act
Vehicles	5	Management estimate

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

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

Property, plant and equipment acquired on amalgamation are depreciated as per the above policy over the remaining useful life at the date of acquisition.

Assets taken on finance lease are depreciated over their estimated useful lives as stated above or the primary lease term, whichever is shorter, if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts. These are accounted in Statement of profit and loss within Other income/ Other expenses.

Intangible assets

On adoption of Ind AS, the Company has measured Intangible assets at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015.

1.3 Property, plant and equipment and Intangible assets *(continued)*

Brands and Licenses

Licenses acquired are carried at cost less accumulated amortisation and impairment losses, if any. Brands are regarded as having indefinite useful lives and are not amortised, but are assessed for impairment at every reporting date.

Computer software

Computer software acquired are carried at cost less accumulated amortisation and impairment losses, if any. Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of customised computer software applications are recognised as intangible assets when the following criteria are met:

a) it is technically feasible to complete the software so that it will be available for use,
b) there is an ability to use or sell the software,
c) it can be demonstrated how the software will generate probable future economic benefits,
d) adequate technical, financial and other resources to complete the development and to use the software are available, and
e) the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the customised computer software applications include employee costs and other directly attributable costs and are amortised from the point at which the software asset is available for use.

Research and development costs

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, further economic benefits are probable, the Company has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

Amortisation method and useful lives

The Company amortises intangible assets with a finite useful life using the straight-line method over their estimated useful lives as follows:

- Licenses – over the license period
- Computer software – 5 years

Impairment of property, plant and equipment and Intangible assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.4 Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. All other lease arrangements are classified as operating leases.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.4 Leases *(continued)*

As a lessee

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

1.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at deemed cost at the date of transition to Ind AS. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amounts are recognized in the Statement of profit and loss.

1.6 Financial Instruments

Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets - Initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Financial assets, other than equity instruments, are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both (a) the entity's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset.

1.6 Financial Instruments *(continued)*

Debt instruments Measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on sale or transfer a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Amortised cost is calculated using the effective interest rate ("EIR") method by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Measured at fair value through other comprehensive income (FVOCI):

A financial asset is measured at FVOCI, if it is held with an objective to collect contractual cash flows and selling such financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding. It is subsequently measured at fair value with fair value movements recognised in the Other Comprehensive Income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the Statement of profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Measured at fair value through profit and loss (FVPL):

Financial assets that do not meet the criteria for classification as amortised cost or as FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive the payment is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 31 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The losses arising from impairment are recognised in the Statement of profit and loss.

Derecognition of financial assets

A financial asset is derecognised only when:

- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.6 Financial Instruments *(continued)*

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset continues to be recognized to the extent of continuing involvement in the financial asset.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Income Recognition

Dividend income on investments is recognised and accounted for when the right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

Interest income and guarantee commission is accounted for on a time-proportion basis using amortised cost taking into account the amounts invested and the rate of interest.

1.7 Inventories

Inventories which comprise of raw materials, work-in-progress, finished goods, stock-in-trade, packing materials and stores and spares are carried at the lower of cost or net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis. Adequate allowance is made for obsolete and slow moving items.

1.8 Trade receivables

Trade receivables are initially recognised at their transaction price (fair value) and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.9 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.10 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duties and net of returns, trade allowances, rebates, value added taxes, goods and service tax (GST) and such amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1.10 Revenue recognition *(continued)*

a. **Sale of products**

Revenue is recognised on dispatch of goods or on delivery to customer, in accordance with the terms of sale.

b. **Revenue from manufacture and sale of products from tie-up manufacturing arrangements**

The company has entered into arrangements with tie-up manufacturers (TMU), where-in TMUs manufacture and sell on behalf of the Company. Accordingly, the transactions of the tie-up units under such arrangements have been recorded as gross revenue, excise duty and expenses as if they were transactions of the Company.

c. **Income from brand franchise arrangements**

Income from brand franchise is recognised in terms of the respective contracts upon sale of products by the franchisees. Revenue in respect of fixed value brand franchise arrangements is recognized proportionately in each period. Income from brand franchise is net of service tax/ goods and service tax.

1.11 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Post-employment obligations

The Company's defined benefit plans comprise of gratuity, pension and provident fund (administered by trusts set up by the Company, where the Company's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Company).

Pension and gratuity obligations

The liability or asset recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Provident fund

The Company operates a defined benefit provident fund plan for its certain category of employees. The minimum statutory rate at which the annual rate of interest is payable to the beneficiaries of such plan is administered by the Central Government. The Company has an obligation to make good the shortfall in the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.11 Employee benefits *(continued)*

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to publicly administered funds as per local regulations and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government, superannuation fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Company's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

(c) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of profit and loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(d) Share-based payments

Share based compensated benefits are provided to certain grades of employees in the form of United Spirits Limited-Stock Appreciation Rights Plan, a cash settled scheme, and the Diageo Incentive Plan, an equity settled scheme.

Stock appreciation rights

Liabilities for the Company's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as current/ non-current provisions in the balance sheet.

Diageo incentive plan

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of profit and loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Company revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognizes the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plan are recharged by Diageo Plc, the same is accounted for as a reduction from equity.

1.12 Income tax

Income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in countries where Company has taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

1.12 Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax on Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is reasonably certain that the Company will pay normal income-tax during the specified period. The Company reviews the same at each balance sheet date and writes down the carrying amount of deferred tax relating to MAT credit entitlement to the extent there is no longer reasonable certainty that the Company will pay normal income-tax during the specified period.

1.13 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

1.14 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.15 Borrowings *(continued)*

another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

1.17 Exceptional items

When an item of income or expense within Statement of profit and loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Company for the year, the nature and amount of such items is disclosed as exceptional items.

1.18 Segmental information

The Company is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing and through strategic franchising of some of its brands. The Executive Committee of the Company (being the Chief Operating Decision Maker) assesses performance and allocates resources for the business of the Company as a whole and hence the management considers company's business activities as a single operating segment (viz. Beverage alcohol).

1.19 Equity

Own shares represent shares of the Company and those held in treasury by USL Benefit trust. Pursuant to order of High Court of Karnataka and Bombay, shares held in aforesaid trust have been treated as an investment.

Dividends - Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1.20 Assets (or disposal groups) held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale under current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable and is expected to be sold within one year from the balance sheet date. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expense attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet under the heading Current assets. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

1.20 Assets (or disposal groups) held for sale and discontinued operations *(continued)*

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit and loss.

1.21 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with Ind AS 37 and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

1.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.23 Common control transactions

Business combinations involving entities that are controlled by the Company are accounted for using the pooling of interests method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. Adjustments are only made to harmonise accounting policies.
- The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.
- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.
- The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.
- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

1.24 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III to the Companies Act, 2013, unless otherwise stated. The sign '0' in these standalone Ind AS financial statements indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are nil.

1.25 Recent accounting pronouncements

1. Standards issued but not yet effective

a) Ind AS 115- Revenue from Contract with Customers: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

1.25 Recent accounting pronouncements *(continued)*

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors.
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.
The Company is evaluating the requirements of the standard and the impact on the financial statements.

b) Ind AS 12- Income Taxes: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has amended Ind AS 12, Income taxes which clarifies the accounting for deferred taxes where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax.

The effective date for adoption of this amendment is on or after April 1, 2018. The Company is evaluating the requirements of the standard and the impact on the financial statements.

c) Appendix B to Ind AS 21, Foreign currency transactions and advance consideration: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The effective date for adoption of this amendment is on or after April 1, 2018. The Company is evaluating the requirements of the standard and the impact on the financial statements.

2. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – Note 38
- Estimation of provisions and contingent liabilities – Notes 18 and 49
- Impairment of investments in subsidiaries – Note 35

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

(All amounts in INR Millions except for per share data or as otherwise stated)

3.1 Property, Plant and Equipment

	Owned						Leased [Refer Note 39(a)]			Total
	Freehold Land	Buildings [Notes (a) and (b) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Land	Office Equipment	Vehicles	
Year ended March 31, 2017										
Gross carrying amount										
Opening	2,581	2,830	5,620	289	155	19	121	135	10	**11,760**
Additions	-	912	1,742	99	90	3	10	107	4	**2,967**
Assets classified as held for sale (refer Note 13)	(35)	(202)	(38)	(4)	(2)	-	-	-	-	**(281)**
Disposals [Note (c) below]	(21)	(84)	(352)	(15)	(16)	(6)	-	-	-	**(494)**
Closing gross carrying amount	**2,525**	**3,456**	**6,972**	**369**	**227**	**16**	**131**	**242**	**14**	**13,952**
Accumulated depreciation and impairment										
Opening	-	93	748	52	60	13	-	42	3	**1,011**
Depreciation charge during the year	-	166	889	66	64	3	44	72	3	**1,307**
On assets classified as held for sale (refer Note 13)	-	(9)	(18)	(2)	(2)	-	-	-	-	**(31)**
Disposals	-	(7)	(57)	(3)	(13)	(6)	-	-	-	**(86)**
Closing accumulated depreciation and impairment	**-**	**243**	**1,562**	**113**	**109**	**10**	**44**	**114**	**6**	**2,201**
Net carrying amount as at March 31, 2017	**2,525**	**3,213**	**5,410**	**256**	**118**	**6**	**87**	**128**	**8**	**11,751**
Year ended March 31, 2018										
Gross carrying amount										
Opening	2,525	3,456	6,972	369	227	16	131	242	14	**13,952**
Additions	-	118	852	19	33	-	-	3	-	**1,025**
Assets classified as held for sale (refer Note 13)	(637)	(681)	(1)	(131)	(10)	-	-	-	-	**(1,460)**
Disposals	-	(94)	(24)	(1)	-	-	-	-	-	**(119)**
Closing gross carrying amount	**1,888**	**2,799**	**7,799**	**256**	**250**	**16**	**131**	**245**	**14**	**13,398**
Accumulated depreciation and impairment										
Opening	-	243	1,562	113	109	10	44	114	6	**2,201**
Depreciation charge during the year	-	172	966	59	61	2	1	61	4	**1,326**
Impairment [Note (d) below]	-	22	104	-	-	-	-	-	-	**126**
On assets classified as held for sale (refer Note 13)	-	(42)	-	(73)	(6)	-	-	-	-	**(121)**
Disposals	-	(12)	(23)	-	-	-	-	-	-	(35)
Closing accumulated depreciation and impairment	**-**	**383**	**2,609**	**99**	**164**	**12**	**45**	**175**	**10**	**3,497**
Net carrying amount as at March 31, 2018	**1,888**	**2,416**	**5,190**	**157**	**86**	**4**	**86**	**70**	**4**	**9,901**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

3.1 Property, Plant and Equipment *(Continued)*

Notes:

(a) Buildings include an amount of INR 357 (2017: INR 357) in respect of which title deeds are yet to be registered in the name of the Company.

(b) Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation:
   i) INR NIL (2017: INR 660) equity shares (unquoted) of INR 100/- each fully paid in Shree Madhu Industrial Estate Limited INR NIL (2017 : INR 0).
   ii) INR NIL (2017: INR 199) 6 % Debentures (unquoted) of INR 1,000/- each fully paid in Shree Madhu Industrial Estate Limited INR NIL (2017: INR 0).
   iii) Deposit with Shree Madhu Industrial Estate Limited INR NIL (2017 : INR 0)
   iv) Fully paid shares INR 0 (2017 : INR 0) held in a Co-operative Housing Society.

(c) Disposals include write down of INR NIL (2017: INR 217) in the value of certain plant and equipment disclosed as exceptional items [Refer Note 28(b)]

(c) Represents impairment loss recognised on Buildings and Plant and Equipment in respect of certain manufacturing units disclosed as exceptional items [Refer Note 28(c)]

Property, plant and equipment pledged as security

Refer to note 33 for information on property, plant and equipment pledged as security by the Company.

3.2 Intangible assets

	Brands	Licenses	Computer Software	Total
Year ended March 31, 2017				
Gross carrying amount				
Opening	9	6	-	**15**
Additions - Acquired	-	32	-	**32**
Additions- Internal development	-	-	92	**92**
Disposals	-	-	-	**-**
Closing gross carrying amount	9	38	92	**139**
Accumulated amortisation and impairment				
Opening	-	2	-	**2**
Amortisation charge during the year	-	4	3	**7**
Impairment charge for the year	9	-	-	**9**
Disposals	-	-	-	**-**
Closing accumulated amortisation and impairment	**9**	**6**	**3**	**18**
Net carrying amount as at March 31, 2017	**-**	**32**	**89**	**121**
Year ended March 31, 2018				
Gross carrying amount				
Opening	9	38	92	**139**
Additions - Acquired	-	-	24	**24**
Disposals	-	-	**-**	**-**
Closing gross carrying amount	9	38	116	**163**
Accumulated amortisation and impairment				
Opening	9	6	3	**18**
Amortisation charge during the year	-	6	19	**25**
Disposals	-	-	-	**-**
Closing accumulated amortisation and impairment	**9**	**12**	**22**	**43**
Net carrying amount as at March 31, 2018	**-**	**26**	**94**	**120**

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
4.	**Loans**		
	Non-current		
	Unsecured		
	Loan to UBHL (refer Note 41)		
	Considered doubtful	13,374	13,681
	Loans to related parties [Refer Note 36(c)(vi)]		
	Considered good	5,644	6,240
	Considered doubtful	51,631	51,355
	Security deposits		
	Considered good	156	204
		70,805	71,480
	Less: Allowance for doubtful balances	(65,005)	(65,036)
	Total non-current loans	**5,800**	**6,444**
	Current		
	Unsecured		
	Loans to employees		
	Considered good	48	38
	Security deposits		
	Considered good	215	151
	Considered doubtful	62	73
		325	262
	Less: Allowance for doubtful balances	(62)	(73)
	Total current loans	**263**	**189**
5.	**Other financial assets**		
	Non-current		
	Balances with banks [Refer Notes (a), (b) and (c) below]	743	729
	Receivable from Tie-up manufacturing units		
	Considered good	-	377
	Considered doubtful	228	-
		971	1,106
	Less: Allowance for doubtful balances	(228)	-
	Total other non-current financial assets	**743**	**1,106**

Notes :

(a) Includes deposit of INR 459 (2017: INR 459) with a bank in suspense account (Refer Note 44)

(b) Includes fixed deposits of INR 282 (2017: INR 268) with a bank kept under escrow pending resolution of various taxation matters.

(c) Includes Margin money against bank guarantees INR 2 (2017: INR 2)

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

5 Other financial assets *(Continued)*

	As at March 31, 2018	As at March 31, 2017
Current		
Interest accrued on loans to related parties [Refer Note 36(c)(viii)]		
Considered good	1,230	783
Considered doubtful	503	126
Receivable from related parties [Refer Note 36(c)(i)]	7	104
Receivable from Tie-up manufacturing units		
Considered good	1,050	504
Considered doubtful	-	415
Receivable towards sale of Property, plant and equipment		
Considered good	-	72
Considered doubtful	693	621
Other receivables		
Considered good	29	77
Considered doubtful	161	241
	3,673	**2,943**
Less: Allowance for doubtful balances	(1,357)	(1,403)
Total other current financial assets	**2,316**	**1,540**

	Face value	Number of shares	As at March 31, 2018	Number of shares	As at March 31, 2017
6 Investments in subsidiaries					
Investment in equity instruments carried at cost (fully paid-up) [Refer Note (b) below]					
Quoted					
Pioneer Distilleries Limited	INR 10/-	10,041,150	-	10,041,150	-
Unquoted					
McDowell & Co (Scotland) Limited	GBP 1/-	1,575,000	126	1,575,000	126
Shaw Wallace Overseas Limited	GBP 1/-	357,745	-	357,745	-
Sovereign Distilleries Limited	INR 10/-	485,139,152	4,267	485,139,152	4,267
Less: Impairment in the value of investment (Refer Note 35)			3,484		3,158
			783		1,109
Tern Distilleries Private Limited	INR 10/-	102,676,347	987	102,676,347	987
Less: Impairment in the value of investment (Refer Note 35)			739		602
			248		385
Asian Opportunities & Investments Limited	USD 1/-	4,998,706	-	4,998,706	-
Palmer Investment Group Limited	USD 1/-	15,000,000	-	15,000,000	-
Montrose International S.A	USD 1000/-	500	-	500	-
Liquidity Inc.	USD 0.0001/-	4,000,000	-	4,000,000	-
Four Seasons Wines Limited	INR 10/-	27,668,899	-	27,668,899	-
USL Holdings Limited	USD 1/-	500,000	-	500,000	-
United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	-	500,000	-
Royal Challengers Sports Private Limited	INR 10/-	14,690	421	14,690	421
Total investments in equity instruments			**1,578**		**2,041**

(All amounts in INR Millions except for per share data or as otherwise stated)

6 Investments in subsidiaries *(Continued)*

	Face value	Number of shares	As at March 31, 2018	Number of shares	As at March 31, 2017
Investments in others carried at cost					
Investment as sole beneficiary in USL Benefit Trust [Refer Note (a) below]			**1,197**		**1,197**
Investments in preference shares carried at cost (fully paid-up)					
Unquoted					
12% Non-cumulative redeemable optionally convertible preference shares of Four Seasons Wines Limited	INR 10/-	30,612,245	145	30,612,245	145
Less: Impairment in the value of investment			145		145
			-		-
12% Cumulative Redeemable preference shares of Four Seasons Wines Limited	INR 10/-	8,000,000	80	8,000,000	80
Less: Impairment in the value of investment			80		80
			-		-
Total investments in preference shares			**-**		**-**
Total investments			**2,775**		**3,238**
Aggregate amount of quoted investments			-		-
Aggregate market value of quoted investments			1,733		1,640
Aggregate amount of unquoted investments			7,223		7,223
Aggregate amount of impairment in the value of investments (refer Note 35)			(4,448)		(3,985)

Notes:

(a) Investment as a sole beneficiary in USL benefit trust was made as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with the United Spirits Limited. The trust has been established for the exclusive benefit of the Company and holds 3,459,090 equity shares of INR 10/- face value of the Company [Refer Note 14(h)]. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. Also refer Note 33 for assets pledged and Note 44.

(b) The Company has measured its investments in subsidiaries at cost in accordance with Ind AS 27. On adoption of Ind AS, Company has measured these investments at deemed cost using the net carrying value as per previous GAAP as at March 31, 2015.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
7.	**Deferred tax assets (net)**		
	Deferred tax assets		
	Allowance for doubtful receivable balances	866	1,015
	Provisions allowed on payment basis	1,019	948
	Others	35	39
		1,920	**2,002**
	Deferred tax liabilities		
	Depreciation and amortisation	1,064	761
		1,064	**761**
	Total Deferred tax assets (net)	**856**	**1,241**

Movement in deferred tax assets	Allowance for doubtful receivable balances	Provisions allowed on payment basis	Others	Depreciation and amortisation	Total
At April 1, 2016	**971**	**1,108**	**29**	**(596)**	**1,512**
(Charged) / Credited:					
- to profit and loss	44	(160)	10	(165)	(271)
At March 31, 2017	**1,015**	**948**	**39**	**(761)**	**1,241**
(Charged) / Credited:					
- to profit and loss	(149)	71	(4)	(303)	(385)
At March 31, 2018	**866**	**1,019**	**35**	**(1,064)**	**856**

		As at March 31, 2018	As at March 31, 2017
8.	**Income tax balances**		
	Income tax liabilities (net)		
	Opening balance	3,317	3,477
	Add: Current tax payable for the year		
	Recognised in the Statement of Profit and Loss	2,401	-
	Recognised in Other comprehensive Income	43	-
	Reclassification to advance tax (net)	101	(149)
	Less : Taxes paid	(1,285)	(11)
	Closing balance	**4,577**	**3,317**
	Income tax assets (net)		
	Opening balance	2,886	1,906
	Add : Taxes paid	2,613	1,932
	Less: Current tax payable for the year		
	Recognised in the Statement of Profit and Loss	-	(549)
	Recognised in Other comprehensive Income	-	(254)
	Reclassification from income tax liabilities	101	(149)
	Closing balance	**5,600**	**2,886**

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
9.	**Other assets**		
	Non-current		
	Capital advances	135	44
	Balances with government authorities		
	Considered good	1,617	1,076
	Considered doubtful	-	1,879
	Net surplus in gratuity plan [Refer Note 38(b)C]	497	473
	Pre-paid expenses	1,673	1,891
		3,922	5,363
	Less: Allowance for doubtful balances	-	(1,879)
	Total other non-current assets	**3,922**	**3,484**
	Current		
	Balances with government authorities	1,567	2,701
	Advances to related parties [Refer Note 36(c)(ii)]	1,484	1,342
	Advances to suppliers		
	Considered good	1,358	1,095
	Considered doubtful	768	839
	Pre-paid expenses	723	994
		5,900	6,971
	Less: Allowance for doubtful balances	(768)	(839)
	Total other current assets	**5,132**	**6,132**
10.	**Inventories**		
	(Valued at lower of cost and net realisable value)		
	Raw materials	1,003	1,479
	[including materials in transit INR 113 (2017: INR 279)]		
	Work-in-progress *	8,777	9,200
	Finished goods	6,461	5,453
	[including goods in transit INR 981 (2017: INR 283)]		
	Stock-in-trade	505	510
	[including goods in transit INR 106 (2017: INR 202)]		
	Packing materials	1,870	1,812
	[including materials in transit INR 65 (2017: INR 59)]		
	Stores and spares	78	84
	Total inventories	**18,694**	**18,538**

* This includes stocks of maturing spirits held by a branch outside India (in custody of an overseas vendor) amounting to INR 3,506 (2017: INR 4,024).

As per terms of an agreement entered in earlier year with an overseas vendor, the Company had a contractual obligation to purchase certain minimum specified quantities of fresh fills. However, the Company was unable to meet the purchase commitment and consequently, the Company is required to compensate the overseas vendor for shortfall relating to the purchase commitment up to June 30, 2017 amounting to INR 244. Further, the Company has accrued dues towards storage, disgorgement, blending, handling and loading charges amounting to INR 281 under the aforesaid agreement. The Company has sought regulatory approval to discharge such liability which is awaited. The Company is carrying an aggregate amount of liability of INR 525 towards the above mentioned obligations, which are presented under Trade Payables. The overseas vendor has written various letters to the Company, intimating that it has exercised its lien over the Company's stock held at their warehouses corresponding to the amounts owed by the Company. The Company has contested the said claim, and called upon the overseas vendor to recall the said letter.

Amounts recognised in the Statement of profit and loss

Allowance for obsolete inventories for the year amounted to INR 73 (2017: INR 301). The net amount is recognised as an expense during the year and is included in Cost of materials consumed in Statement of profit and loss. Further a write down in the value of inventory of INR 36 (2017: INR 168) has been recognised as an expense as exceptional item.

For details of Inventories pledged as security Refer Note 33.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
11.	**Trade receivables**		
	Unsecured		
	Considered good	26,913	29,390
	Considered doubtful	1,514	455
		28,427	29,845
	Less: Allowance for doubtful balances (Refer Note 31)	(1,514)	(455)
		26,913	29,390
	Receivables from related parties [Refer Note 36(c)(iii)]		
	Considered good	85	215
	Total trade receivables	**26,998**	**29,605**
12.1	**Cash and cash equivalents**		
	Balances with banks		
	In current accounts	1,017	47
	Cheques on hand	102	392
	Total cash and cash equivalents	**1,119**	**439**
12.2	**Bank balances other than cash and cash equivalents**		
	In unpaid dividend accounts	9	12
	In unpaid public deposit accounts [Refer Note (a) below]	16	18
	Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	54	54
	Total bank balances other than cash and cash equivalents	**79**	**84**

Notes:

(a) Includes INR 9 (2017: INR 11) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years wherein duly discharged deposit receipts were not received from deposit holders.

b) Represents Bank deposits under lien.

13.	**Assets classified as held for sale**		
	Investment in United Spirits Nepal Private Limited (Refer Note 47)	-	66
	Property, plant and equipment (Refer Note 3.1)	1,417	250
	Total assets classified as held for sale	**1,417**	**316**

Description of the facts and circumstances which led to classification as held for sale

The Company has identified certain properties, vehicles etc. as non-core to its operations. These planned assets are readily available for sale and an active programme to locate the buyer and complete the sale has been initiated by the management.

(All amounts in INR Millions except for per share data or as otherwise stated)

	As at March 31, 2018	As at March 31, 2017
14. Equity Share capital		
Authorised		
548,000,000 (2017: 548,000,000) Equity Shares of INR 10/- each (Refer note (i) below)	5,480	5,480
159,200,000 (2017: 159,200,000) Preference Shares of INR 10/- each	1,592	1,592
1,200,000 (2017: 1,200,000) 7% Non Cumulative Redeemable Preference Shares of INR 100/- each) (Refer note (i) below)	120	120
	7,192	**7,192**
Issued, subscribed and paid-up		
145,327,743 (2017: 145,327,743) Equity Shares of INR 10/- each fully paid up	1,453	1,453
	1,453	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2018	No. of Shares	As at March 31, 2017
Balance at the beginning of the year	145,327,743	1,453	145,327,743	1,453
Add: Equity shares issued during the year	-	-	-	-
Balance at the end of the year	**145,327,743**	**1,453**	**145,327,743**	**1,453**

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of INR 10 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by the holding company are as below:

	No. of Shares	As at March 31, 2018	No. of Shares	As at March 31, 2017
Relay B V (wholly owned subsidiary of Diageo Plc) [Refer note (j) below]	79,612,346	796	79,612,346	796
	79,612,346	**796**	**79,612,346**	**796**

(d) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

(e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B V (wholly owned subsidiary of Diageo Plc) [Refer note (j) below]	79,612,346	54.78%	79,612,346	54.78%

(f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

(g) There are no bonus shares issued, bought back during the period of five years immediately preceding the reporting date.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

14 Equity Share capital *(Continued)*

(h) Details of shares in the Company held by Company, subsidiaries or associates

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit trust [Refer Note 6(a)]	3,459,090	2.38%	3,459,090	2.38%

(i) The Board of the Company at their meeting held on April 13, 2018 has considered and approved the following:

(A) Sub-division of 548,000,000 equity share of face value of INR 10/- per equity share into 2,740,000,000 of equity shares of face value of INR 2/- per equity share subject to approval by the shareholders of the Company by the way of special resolution.

(B) Sub-division of 1,200,000 7% non-cumulative redeemable preference shares of INR 100/- each into 12,000,000 number of preference shares of INR 10/- each and this class of preference shares shall merge with another existing class of 159,200,000 preference shares of the face value of INR 10/-each subject to approval by the shareholders of the Company by the way of special resolution.

(j) On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo Plc. setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares in the Company to Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of special leave petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Relay B V. Such shares are included in arriving at Relay BV's shareholding in the Company.

15 Reserves and surplus

	As at March 31, 2018	As at March 31, 2017
Capital reserve	683	683
Capital redemption reserve	699	699
Securities premium account	45,682	45,682
Central subsidy	2	2
Share based incentive reserve	-	40
Contingency reserve	110	110
General reserve	11,033	11,033
Retained earnings	(34,624)	(40,324)
	23,585	**17,925**

Nature and purpose of reserves:

a) **Capital reserve:** Created pursuant to a Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively.

b) **Capital redemption reserve:** Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years in the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers).

c) **Securities premium account:** Securities premium reserve is credited when shares are issued at premium. The reserve is utilised in accordance with the provisions of the Act.

d) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the Honorable High Courts of Karnataka and Bombay.

e) **Share based incentive reserve:** The share-based incentive reserve is used to recognise the grant date fair value of equity settled share-based payments and credited to this reserve as part of other equity over vesting period. Once the cost towards the plan is recharged by Diageo Plc, the same is reduced from other equity.

f) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.

g) **General reserve:** The General reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.

h) **Retained earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

(All amounts in INR Millions except for per share data or as otherwise stated)

16. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31,2018	As at March 31,2017
Non-current					
Secured					
Finance lease obligations [Refer Note 39(a) and Note (a) below]	2017 - 2022	Monthly installments	8%	70	135
Unsecured					
7,500 (2017: NIL) 7.45% Non-convertible Debentures of face value of INR 1,000,000 each [Refer Note (c) below]	December 28, 2020	Single repayment at the end of term and interest payable on December 28th of each year	7.45%	7,641	-
Term loans from banks [Refer Note (c) below]	March 3, 2020 (Prepaid on December 28, 2017)	Single repayment at the end of the term of each loan	MCLR + 20bps (Effective rate 7.9%)	-	5,000
	Paid on January 5, 2018	Single repayment at the end of the term of each loan	MCLR + 20bps (Effective rate 7.9%)	-	3,500
	June 29, 2018	Single repayment at the end of the term of each loan	T Bill + 100bps (presently 7.35%)	3,522	3,500
				11,233	**12,135**
Less: Current maturities of non-current borrowings (Refer Note 17)					
Finance lease obligation				43	66
Term loan from banks				3,500	3,500
Less: Interest accrued but not due (Refer Note 17)				163	-
Total non-current borrowings				**7,527**	**8,569**
Current					
Secured					
Working capital loans from banks [Refer Note (b) below]	Payable on demand	Payable on demand	7.9%	**-**	3,099
Term loans from banks [Refer Note (b) below]	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9%	-	4,750
Unsecured					
Working capital loans from banks [refer note (c) below]	Payable on demand	Payable on demand	7.25% - 9.25%	8,082	-
Term loans from banks	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9 - 8%	-	4,750
Term loans from others	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9 - 7.95%	-	3,500
Commercial papers issued to banks and others	April 2018 - June 2018 (2017: May 2017- November 2017)	Single repayment at the end of the term of each commercial paper	6.57% - 7.75% (Effective rate 6.63% - 7.79%)	13,373	12,173
Total				21,455	28,272
Less: Interest accrued but not due (Refer Note 17)				20	-
Total current borrowings				**21,435**	**28,272**

Notes:

a) Finance lease obligations are secured by hypothecation of office equipment and vehicles taken on lease [Refer Note 39(a)]

b) Working capital loans and certain short term loans outstanding as at March 31, 2017 were secured by hypothecation of inventories (excluding maturing stock held by third party in the UK) and book debts. The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in note 33.

c) Includes interest accrued but not due as at year end.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

16 Borrowings *(Continued)*

Net debt reconciliation

This section sets out an analysis of debt and the movements in debt:

Particulars	As at March 31,2018
Non-current borrowings	7,527
Current borrowings	21,435
Other current liabilities	
Current maturities of long-term borrowings	3,543
Interest accrued but not due	183
Total	**32,688**

Particulars	Finance lease obligations	Non-convertible debentures	Commercial papers	Term loans	Working capital loans	Total
Net debt as at April 1, 2017	**135**	**-**	**12,173**	**25,000**	**3,099**	**40,407**
Proceeds from borrowings	-	7,500	36,986	-	16,226	**60,712**
Repayment of borrowings	(68)	-	(35,771)	(21,500)	(11,263)	**(68,602)**
Acquisition of assets	3	-	-	-		**3**
Interest expense (Refer Note 26)	7	141	914	880	592	**2,534**
Interest paid	(7)	-	(929)	(858)	(572)	**(2,366)**
Net debt as at March 31, 2018	**70**	**7,641**	**13,373**	**3,522**	**8,082**	**32,688**

	As at March 31, 2018	As at March 31, 2017
17. Other financial liabilities		
Current		
Current maturities of		
Borrowings (Refer Note 16)	3,500	3,500
Finance lease obligation (Refer Note 16)	43	66
Interest accrued but not due (Refer Note 16)	183	-
Unpaid / unclaimed dividends [Refer Note (a) below]	9	12
Unpaid / unclaimed public deposits (Including accrued interest) [Refer Notes (a) and (b) below]	16	18
Others		
Security deposits	131	137
Liability for customer claim (Refer Note 45)	127	3,280
Due to Tie-up manufacturing units [Refer Note 37(a)]	935	905
Capital creditors	158	224
Employee benefits payable	1,083	1,011
Total other current financial liabilities	**6,185**	**9,153**

Notes:

(a) Investor Education and Protection Fund (IEPF) shall be credited when due. As at March 31, 2018 no balances were due to be transferred to IEPF.

(b) Includes unclaimed public deposit which had matured in earlier years of INR 9 (2017: INR 11) in case of which the duly discharged fixed deposit receipts were not received from the deposit holders.

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
18.	**Provisions**		
	Non-Current		
	Employee benefits		
	Compensated absences [Refer Note (b) below]	415	389
	Pension liability [Refer Note 38(b)C]	16	16
	Share appreciation rights (Refer Note 34)	81	17
	Total non-current provisions	**512**	**422**
	Current		
	Employee benefits		
	Compensated absences [Refer Note (b) below]	109	107
	Pension liability [Refer Note 38(b)C]	2	2
	Provision for indirect tax disputes [Refer Note (a) below]	2,819	2,431
	Provision for onerous contracts [Refer Note (a) below]	-	75
	Total current provisions	**2,930**	**2,615**

Notes:

(a) Movement in provisions

Description	As at April 1, 2016	Additions	Amounts used/ written back	As at March 31, 2017
Indirect taxes disputes	1,843	642	54	2,431
Onerous contracts (Refer Note 45)	-	75	-	75

Description	As at April 1, 2017	Additions	Amounts used/ written back	As at March 31, 2018
Indirect taxes disputes	2,431	416	28	2,819
Onerous contracts (Refer Note 45)	75	-	75	-

Provision is made for probable cash outflow arising out of pending indirect tax disputes / litigations with various regulatory authorities. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

(b) Based on past experience, the Company does not expect all employees to avail the full amount of accrued leave or require payment for such leave within the next 12 months. However upon separation of an employee, the Company would be required to settle full amount of accrued leave due to be paid to an employee.

		As at March 31, 2018	As at March 31, 2017
19.	**Trade payables**		
	Dues to Micro and Small Enterprises (Refer Note 51)	89	195
	Dues to creditors other than Micro and Small Enterprises	13,303	10,531
	Dues to related parties [Refer Note 36(c)(v)]	848	1,072
	Total trade payables	**14,240**	**11,798**
20.	**Other current liabilities**		
	Advances from customers	802	736
	Statutory dues	2,259	1,922
	Liability for excise duty on closing finished goods inventory (net of prepaid excise duty)	1,210	1,783
	Total other current liabilities	**4,271**	**4,441**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
21. Revenue from operations		
Sale of products (including excise duty)	258,715	252,947
Income from brand franchise arrangements	1,544	595
Other operating revenue:		
Scrap sales	319	351
Miscellaneous	113	95
Total revenue from operations	**260,691**	**253,988**
22. Other income		
Interest income on fixed deposits (held at amortised cost)	22	152
Interest income from loans to subsidiaries [Refer Note 36(b)(iv)]	384	50
Dividend income from subsidiary company (carried at cost) [Refer Note 36(b)(iii)]	38	49
Dividend income from mutual funds (investments measured at FVPL)	-	1
Exchange gain (net)	16	-
Gain on disposal of property, plant and equipment (net)	1,117	337
Liabilities, provisions or allowances no longer required written back	477	514
Miscellaneous income	6	8
Total other Income	**2,060**	**1,111**
23. Cost of materials consumed		
Raw materials	24,999	28,497
Packing materials	15,694	17,845
Total cost of materials consumed	**40,693**	**46,342**
24. Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening inventory:		
Finished goods	5,453	5,457
Work-in-progress	9,200	8,965
Stock-in-trade	510	484
Total opening balance (A)	**15,163**	**14,906**
Closing inventory:		
Finished goods	6,461	5,453
Work-in-progress	8,777	9,200
Stock-in-trade	505	510
Total closing balance (B)	**15,743**	**15,163**
Increase / (decrease) in excise duty on finished goods (net) (C)	403	701
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**(177)**	**444**

(All amounts in INR Millions except for per share data or as otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
25. Employee benefits expense		
Salaries, wages and bonus	5,702	5,754
Contribution to provident and other funds [Refer Note 38(a)]	178	196
Defined benefits plans cost [Refer Note 38(b)D]	272	339
Share based payment expense (Refer Note 34)	84	57
Staff welfare expenses	365	328
Total employee benefits expense	**6,601**	**6,674**
26. Finance costs		
Interest and finance charges on financial liabilities at amortised cost (borrowings) (Refer Note 16)	2,534	3,445
Interest- others	77	245
Total finance costs	**2,611**	**3,690**
27. Other expenses		
Consumption of stores and spares	220	206
Sub-contracting charges	720	757
Power and fuel	239	273
Rent [Refer Note 39(b)]	1,787	2,064
Repairs and maintenance:		
Buildings	69	32
Plant and machinery	168	113
Others	282	273
Insurance	81	90
Rates and taxes	1,530	2,158
Travel and conveyance	456	430
Legal and professional	1,689	1,683
Auditor remuneration (Refer Note below)	55	73
Freight outwards	2,280	2,343
Royalty [Refer Note 36(b)(x)]	105	80
Trade mark license fees	578	582
Exchange loss (net)	-	116
Remuneration to non-executive directors:		
Sitting fee	3	7
Commission	20	22
Bad debts / advances / deposits written off [net of write back of allowance of INR 2,529 (2017: INR 335)]	10	19
Provision for doubtful debts / advances / deposits	1,503	43
Expense towards corporate social responsibility (Refer Note 52)	105	3
IT and communication expenses	466	443
Administrative expenses	177	297
Distribution costs	1,453	1,321
Miscellaneous expenses	116	153
Total other expenses	**14,112**	**13,581**

Note		
Auditors' remuneration*		
a) as auditors		
for Statutory audit	18	19
for Limited review	11	10
for Certifications	6	1
b) for other services	20	43
Total payment to auditors	**55**	**73**

* Excluding service tax / goods and service tax

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
28. Exceptional items (net)		
(a) Provision towards matters arising consequent to prohibition in the state of Bihar (Refer Note 46)	(180)	(377)
(b) Write down in the value of certain Plant and equipment [Refer Note 3.1(c)]	-	(217)
(c) Impairment loss recognised on Buildings and Plant and Equipment in relation to certain manufacturing units [Refer Note 3.1(d)]	(126)	-
(d) Impairment in the value of Investment in subsidiaries (Refer Note 35)	(463)	(552)
(e) Allowance for doubtful loans/ interest to subsidiaries [Refer Note 36(b)(xx)]	(450)	(330)
(f) Reversal of allowance for doubtful loans to subsidiaries [Refer Note 36(b)(xvi)]	636	-
(g) Allowance for doubtful receivable from a subsidiary written back [Refer Note 36(b)(xvi)]	-	819
(h) Interest income on loan to a subsidiary relating to earlier years [Refer Note 36(b)(iv)]	497	-
(i) Gain on disposal of Investment in subsidiary (Refer Note 47)	148	-
(j) Customer claim (Refer Note 45)	28	(2,645)
(k) Reversal of provision against claims from parties arising from initial inquiry (Refer Note 40)	-	28
(l) Allowance for doubtful receivables/ advances/ deposits net, arising from initial inquiry written back (Refer Note 40)	-	12
Total Exceptional items (net)	**90**	**(3,262)**
29. Reconciliation of tax expense and accounting profit multiplied by India's tax rate		
Profit before income tax expense	8,403	2,546
Tax at Indian tax rate @ 34.608% (2017: 34.608%)	2,908	881
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
- Impairment on investment in subsidiaries and allowance for doubtful loans to subsidiaries (including reversals)	(58)	21
- Deduction for investment allowance u/s 32AC	-	(89)
- Non deductible expenses (Donations,CSR etc)	43	51
- Short Term Capital Gains	-	20
- Deferred Tax credit on indexation benefit on land	-	(23)
- Reversal of provisions/ write offs relating to certain receivables considered not taxable, being not claimed as deductible from tax in earlier years	(127)	(16)
- Others	20	2
Total	**(122)**	**(34)**
Income tax expense as per Statement of Profit and Loss	**2,786**	**847**
30. Earnings per share		
Nominal value of equity shares (INR)	10/-	10/-
(a) Profits attributed to equity holders of the Company	5,617	1,699
(b) Weighted average number of equity shares used as denominator (Refer Note below)	145,327,743	145,327,743
(c) Basic and diluted earnings per share (INR)	38.65	11.69

There are no dilutive equity shares in the Company.

Note:

In calculating the weighted average number of outstanding equity shares during the year, Company has not reduced the own shares held by USL Benefit Trust (of which Company is the sole beneficiary), as the investment in the said trust has been accounted under a scheme approved by courts [Refer Note 6(a)].

(All amounts in INR Millions except for share data or as otherwise stated)

31. Financial risk management

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks and financial institutions, trade receivables, loans and other financial assets measured at amortised cost	Aging analysis	Diversification of bank deposits and monitoring of credit limits and assessment of valuation of subsidiaries
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk — interest rate	Short-term borrowings at floating rates	Sensitivity analysis of interest rates	Diversified portfolio of fixed and variable interest rate loans
Market risk — foreign exchange	Future commercial transactions, Financial assets and liabilities not denominated in INR	Cash flow forecasting Sensitivity analysis	Spot booking

The Company's risk management is carried out by treasury department under policies approved by the Board. Central treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's other functions. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(A) Credit risk

Credit risk management

Trade receivables:

Company's Credit Policy provides guidance to keep the risk of selling on credit within an acceptable level. The policy provides guidelines for risk assessment, review of credit limits and monitoring overdue trade receivables. The Company's management monitors and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are typically unsecured and are derived from revenue earned from two main classes of trade receivables, receivable from sales to government corporations and receivables from sales to private third parties.

Net receivables from government corporation customers amounted to INR 18,646 and 69% (2017: INR 18,985 and 64%) and private customers amounted to INR 8,352 and 31% (2017: INR 10,620 and 36%) of total trade receivables, respectively, on the reporting date.

The Company uses a provision matrix which is applied to overdue receivables other than receivables from government corporations (where the counterparty risk is assessed to be insignificant). The Company's credit risk is concentrated mostly to states where goods are sold to private third parties.

Movement in loss allowances for trade receivables is provided below:

Particulars	March 31, 2018	March 31, 2017
Balance at the beginning of the year	455	807
Loss allowance recognised/ (reversed)	1,200	162
(Write offs)/ write back (net)	(141)	(514)
Balance at the year-end (Refer Note 11)	**1,514**	**455**

Other financial assets:

Company carries other financial assets such as balances with banks, receivable from Tie-up manufacturing units, loans to other entities including subsidiaries and interest accrued on such loans etc.

Company monitors the credit exposure on these financial assets on a case-to-case basis. Loans to subsidiaries are assessed for credit risk based on the underlying valuation of the entity and their ability to repay within the contractual repayment terms. Company creates loss allowance wherever there is an indication that credit risk has increased significantly.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

31. Financial risk management *(continued)*

Movement in loss allowances for financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2018	March 31, 2017
Balance at the beginning of the year	66,512	67,915
Loss allowance recognised	1,512	620
Write backs	(1,372)	(2,023)
Balance at the year end	**66,652**	**66,512**

Significant estimates and judgements in Impairment of financial assets

The impairment provisions for financial assets disclosed above are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. A prudent liquidity risk management is to ensure maintaining the required cash and / or have access to funds required through committed banking lines from banks or markets to address such risks, when they arise.

(i) Company has developed three year 'Capital structure and funding strategy' with an objective to gauge potential risk, project and strategically address funding needs, among others and ensure continued operations within acceptable tolerance limits.

(ii) Treasury team monitors rolling forecasts of the company's liquidity position on a periodic basis. Funds are optimally used through centralised cash management system across the company and deficit if any are availed from the undrawn committed borrowing facilities (as below). Internal stake holders are aligned to provide 'early warning' surprises should they occur, so as to enable treasury team to pro-actively align the appropriate source and cost of borrowing to mitigate funding and interest risk.

(iii) Management has planned monetisation of certain non-core assets to infuse liquidity and reduce debts, thereby freeing up the banking lines to access in future, if required.

Financing arrangements

The Company had access to the following undrawn borrowing facilities at end of the reporting period:

Particulars	As at March 31, 2018	As at March 31, 2017
Floating rate Expiring within one year (cash credit/ working capital demand loans)	31,791	16,170

The above facilities may be drawn at any time and repayable on demand. The Company has fully utilized fixed rate borrowing facilities as at the end of each of the reporting periods.

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

(All amounts in INR Millions except for share data or as otherwise stated)

31. Financial risk management *(continued)*

As at March 31, 2018

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	25,212	-	559	559	8,059	**34,389**
Obligation under finance lease	15	13	19	18	12	**77**
Trade payables	14,240	-	-	-	-	**14,240**
Other financial liabilities	2,459	-	-	-	-	**2,459**
Total liabilities	**41,926**	**13**	**578**	**577**	**8,071**	**51,165**

As at March 31, 2017

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	21,595	3,681	7,838	4,033	5,593	**42,740**
Obligation under finance lease	18	18	37	46	28	**147**
Trade payables	11,798	-	-	-	-	**11,798**
Other financial liabilities	5,587	-	-	-	-	**5,587**
Total liabilities	**38,998**	**3,699**	**7,875**	**4,079**	**5,621**	**60,272**

(C) Interest rate risk

Company's main interest rate risk arises from Short-Term borrowings with floating rates, which may have impact on company cash flow.

Presently interest rates are bottomed out and the Company expects this to be stable with upward bias in the near term. In view of this the Company has kept long term borrowings at fixed interest rate. This does away with the exposure and insulates the Company from adverse movements. During the year, Company has issued unsecured Non-Convertible Debentures ('NCDs') amounting to INR 7,500 at 7.45% p.a. for a period of 3 years.
Majority of the Company's short term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates.

The exposure of the Company's borrowings to interest rate changes at the end of reporting period are as follows:

Particulars	As at March 31, 2018	As at March 31, 2017
Floating rate borrowings	24,935	40,272
Fixed rate borrowings	7,570	135
Total borrowings	**32,505**	**40,407**

Sensitivity

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

	Impact on Profit after tax- Increase / (decrease)	
Interest rates	**For the year ended March 31, 2018**	**For the year ended March 31, 2017**
Increase by 50 bps	(81)	(131)
Decrease by 50 bps	81	131

(D) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and assets and liabilities denominated in a currency that is not the Company's functional currency (INR). The risk is measured through a forecast of highly probable foreign currency cash flows.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

32. Financial risk management *(continued)*

Foreign currency risk management

The Company's risk management policy is to assess the Company's net exposures which is mainly represented by receivable and payable towards exports and imports respectively, and partly represented by the loans extended in foreign currencies.

The Company can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, this has not been hedged.

Foreign currency risk exposure:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR is as follows:

Particulars	As at March 31, 2018			As at March 31, 2017		
Financial assets	**USD**	**GBP**	**Total**	**USD**	**GBP**	**Total**
Trade receivables	196	-	196	131	-	131
Non-current loans	259	641	900	260	265	525
Exposure to foreign currency risk (assets)	455	641	1,096	391	265	656
Financial liabilities						
Trade payables	132	411	543	106	100	206
Other current liabilities	3	-	3	-	-	-
Exposure to foreign currency risk (liabilities)	**135**	**411**	**546**	**106**	**100**	**206**
Net Exposure	**320**	**230**	**550**	**285**	**165**	**450**

Impact on Profit after Tax

The sensitivity of profit or loss due to changes in exchange rates arises mainly from foreign currency denominated net exposures.The impact of sensitivity to fluctuations in foreign exchange rate is not considered material.

32. Capital management

Risk management

The Company's objectives when managing capital is to:

a) have a balanced financial profile from short term (1 year) to mid-term (3 years) for sustainable leverage, providing;
   - Headroom for future growth / expansion
   - Financial flexibility in case of adverse business cycles

b) ensure the capital structure is at competitive advantage when compared to peers and other sector players through optimum debt mix through:
   - Diversification of funding sources to manage liquidity and rollover risk
   - Financial flexibility in case of adverse business cycles

Particulars	As at March 31, 2018	As at March 31, 2017
Net debt	31,569	39,968
Total equity	25,038	19,378
Net debt to equity ratio	**1.26**	**2.06**

33. Assets pledged as security

In respect of secured loans from bank and others ('lenders') obtained during earlier years and repaid during the year ended March 31, 2018 and in earlier years, the Company has in most cases obtained no objection letters from lenders for the release of the hypothecation / mortgage and have filed the necessary e-forms online with Ministry of Corporate Affairs ('MCA') to reflect the release of such charge in MCA's records. In the few remaining cases, the company is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2018, no assets have been shown as hypothecated / mortgaged as at March 31 2018.

(All amounts in INR Millions except for share data or as otherwise stated)

33. Assets pledged as security *(continued)*

The carrying amounts of assets hypothecated / mortgaged for current and non-current borrowings as at March 31, 2017 are as follows:

Current	Notes	As at March 31, 2017
Financial assets		
Floating charge		
Trade receivables	11	29,605
Cash and cash equivalents	12.1	439
Bank balances other than cash and cash equivalents	12.2	54
Other financial assets	5	1,729
Non-financial assets		
Floating charge		
Inventories	10	14,514
Other current assets (excluding taxes paid in advance)	9	3,518
Total assets pledged as security		**49,859**

Further the following assets (not included in the above table) have been pledged with a bank with whom the Company is involved in a litigation (Refer Note 44)

Non-current	Notes	As at March 31, 2018	As at March 31, 2017
First charge			
Freehold land	3.1	1,198	1,198
Buildings	3.1	722	856
Lease hold land	3.1	39	40
Plant and equipment	3.1	525	779
Investments as a sole beneficiary in USL benefit trust		1,197	1,197
Total non-current assets pledged as security		**3,681**	**4,070**

34. Share based payments

Diageo Performance Incentive (DPI)

DPI is a one-time long-term incentive scheme for select employees who were active on Company's payroll on September 1, 2016. A single grant was made in September 2016 with zero pay out for any leaver prior to vesting in September 2019 (vesting period – 3 years). Diageo Plc.'s share options (one option equivalent to one share) were granted to such employees as a percentage of salary. Vesting is subject to conditions such as continuity of employment, Diageo's productivity and net sales growth and individual's net promoter score. As at March 31, 2018 such outstanding share options are 59,994 (March 31, 2017: 97,904) and the charge for the year included in employee benefits expense is INR 20 (March 31, 2017: INR 40) (Refer Note 25) with a corresponding credit to other equity.

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employee reward to Company's share price performance. Under this plan, Company grants stock appreciation rights (based on USL share price) to select employees. The grant is made in September every year, as a percentage of salary. Cash pay-out equivalent to the value of shares will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs was determined using the Black-Scholes model using the following inputs at the grant dates:

Grant Date	As at March 31, 2018		As at March 31, 2017
	September 01, 2016	September 01, 2017	September 01, 2016
Share price at grant date (INR per share)	2,313	2,543	2,313
Expected volatility (%)	16.71	16.71	10.83
Dividend yield (%)	-	-	-
Risk-free interest rate (%)	6.25	6.25	6.69

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

34. Share based payments *(continued)*

As at March 31, 2018 such outstanding SARs are 84,908 (March 31, 2017: 47,445) and the charge for the year included in employee benefits expense is INR 64 (March 31, 2017: INR 17) (Refer Note 25) with a corresponding credit to non- current provision for employee benefits (Refer Note 18).

35. Impairment of investments in subsidiaries

The Company performs at least an annual assessment for impairment of its investments in subsidiaries and recognises/ reverses impairment, as considered necessary in its investments.

The Company has determined recoverable values of its investments as fair value of net assets, less cost of disposal. Company has used the 'cost approach' valuation technique for determining fair value of its investment in subsidiaries using Level 3 inputs. An analysis of investments in subsidiaries where impairment charge/ reversal has been recognised, is provided below:

As at and for the year ended March 31, 2018	Sovereign Distilleries Limited	Tern Distilleries Private Limited	Total
Carrying amount of investments (Gross)			
Investments in equity	4,267	987	
Recoverable amount	783	248	
Shortfall in recoverable amount over carrying value	**3,484**	**739**	
Impairment allowance recognised in earlier years	3,158	602	
Impairment allowance recognised in the current year [Refer Note 28(d)]	326	137	463
Closing impairment allowance (Refer Note 6)	**3,484**	**739**	

As at and for the year ended March 31, 2017	Sovereign Distilleries Limited	Tern Distilleries Private Limited	Total
Carrying amount of investments (Gross)			
Investments in equity	4,267	987	
Recoverable amount	1,109	385	
Shortfall in recoverable amount over carrying value	**3,158**	**602**	
Impairment allowance recognised in earlier years	2,681	527	
Impairment allowance recognised in the current year [Refer Note 28(d)]	477	75	552
Closing impairment allowance (Refer Note 6)	**3,158**	**602**	

Sensitivity analysis

The below table summarises the impact of increases/ decreases in fair values of property, plant and equipment included in determining the recoverable amounts of Company's investment in subsidiaries:

Key underlying values	Impact on impairment decrease / (increase)	
	For the year ended March 31, 2018	For the year ended March 31, 2017
Change in fair value by:		
+ 5%	82	89
- 5%	(82)	(89)

36. Related party disclosures

(a) Names of related parties and description of relationship

(i) **Parent entities**

- Diageo Plc. (Ultimate Holding Company)
- Tanqueray Gordon & Company Ltd. (Intermediate Holding Company)
- Relay B V (Holding Company)

(All amounts in INR Millions except for share data or as otherwise stated)

36. Related party disclosures *(continued)*

(ii) **Subsidiaries**

Name of the subsidiary	% of ownership interest	Country of Incorporation
Indian subsidiaries		
Four Seasons Wines Limited (FSWL)	100	India
Pioneer Distilleries Limited (PDL)	75	India
Royal Challengers Sports Private Limited (RCSPL)	100	India
Sovereign Distilleries Limited (SDL)	100	India
Tern Distilleries Private Limited (Tern)	100	India
Overseas subsidiaries		
Asian Opportunities and Investments Limited (AOIL)	100	Mauritius
Liquidity Inc. (LI)	51	USA
McDowell & Co. (Scotland) Limited (MSL)	100	Scotland
Montrose International S.A (MI)	100	Panama
Palmer Investment Group Limited (PIG)	100	British Virgin Islands
Shaw Wallace Overseas Limited (SWOL)	100	U.K.
UB Sports Management Overseas Limited (UBSMOL)	100	Jersey Islands
United Spirits (Great Britain) Limited (USGBL)	100	U.K.
United Spirits Nepal Private Limited (USNPL) (up to February 28, 2018 - Refer Note 47)	82.46	Nepal
United Spirits (Shanghai) Trading Company Limited (USSTCL)	100	China
United Spirits (UK) Limited (USUKL)	100	U.K.
United Spirits Singapore Pte Ltd (USSPL)	100	Singapore
USL Holdings Limited (UHL)	100	British Virgin Islands
USL Holdings (UK) Limited (UHUKL)	100	U.K.

(iii) **Fellow subsidiaries (with whom transactions have been taken place during the year)**

- Diageo Scotland Limited
- Diageo India Private Limited
- Diageo Brands BV
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Pte Limited
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Plc
- Diageo Business Services India Private Limited

(iv) **Other entity where there is control**

- USL Benefit Trust, India

(v) **Employees' Benefit Plans:**

- McDowell & Company Limited Staff Gratuity Fund
- McDowell & Company Limited Officers' Gratuity Fund
- McDowell & Company Limited Employees Provident Fund
- Phipson & Company Limited Management Staff Gratuity Fund
- Phipson & Company Limited Gratuity Fund
- Carew & Company Limited Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust

Refer Note 38 for information on transactions with post-employment benefit plans mentioned above.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

36. Related party disclosures *(continued)*

(vi) **Key management personnel**

Executive directors

- Anand Kripalu (Managing Director & Chief Executive Officer)
- Sanjeev Churiwala (Chief Financial Officer) (w.e.f April 1, 2017)

(vii) **Non-executive/ Independent directors**

- Mahendra Kumar Sharma
- Dr Indu Shahani
- D Sivanandhan
- John Thomas Kennedy (w.e.f August 17, 2016)
- Nicholas Bodo Blazquez (till January 21, 2017)
- Rajeev Gupta
- Randall Ingber (w.e.f February 2, 2017)
- Ravi Rajagopal (till October 13, 2016)
- Sudhakar Rao (till May 19, 2016)
- V K Viswanathan (w.e.f October 16, 2016)
- Vinod Rao (w.e.f May 24, 2016)

(b) Summary of the transactions with related parties

Name of the related party	Relationship	For the year ended March 31, 2018	For the year ended March 31, 2017
(i) Sale of products (including excise duty)			
United Spirits Nepal Private Limited	Subsidiary	107	272
Pioneer Distilleries Limited	Subsidiary	33	21
United Spirits Singapore Pte Ltd	Subsidiary	-	976
Guinness Nigeria Plc	Fellow subsidiary	59	24
Total - Sale of products		**199**	**1,293**
(ii) Royalty and brand franchise income			
United Spirits Nepal Private Limited	Subsidiary	48	65
Four Seasons Wines Limited	Subsidiary	2	3
Total -Royalty and brand franchise income		**50**	**68**
(iii) Dividend received from			
United Spirits Nepal Private Limited (Refer Note 22)	Subsidiary	38	49
(iv) Interest income on loans to			
Royal Challengers Sports Private Limited	Subsidiary	364	27
Pioneer Distilleries Limited	Subsidiary	12	14
Four Seasons Wines Limited	Subsidiary	7	7
McDowell & Co. (Scotland) Limited	Subsidiary	1	2
Sovereign Distilleries Limited	Subsidiary	0	-
Tern Distilleries Private Limited	Subsidiary	0	-
Sub- total (Refer Note 22)		**384**	**50**
Interest income on loans relating to earlier years			
Royal challengers Sports Private Limited [Refer Note 28(h)]	Subsidiary	497	-
Total - Interest income from subsidiaries		**881**	**50**
(v) Guarantee Commission income from			
Pioneer Distilleries Limited	Subsidiary	5	3

(All amounts in INR Millions except for share data or as otherwise stated)

36. (b) Summary of the transactions with related parties *(continued)*

	Name of the related party	Relationship	For the year ended March 31, 2018	For the year ended March 31, 2017
(vi)	**Reimbursement of expenses from**			
	Diageo Plc.	Parent	1	32
	Pioneer Distilleries Limited	Subsidiary	-	3
	Four Seasons Wines Limited	Subsidiary	2	-
	Diageo Great Britain Limited	Fellow subsidiary	9	7
	Diageo Brands BV	Fellow subsidiary	-	8
	Diageo Scotland Limited	Fellow subsidiary	30	115
	Guinness Nigeria Plc	Fellow subsidiary	-	5
	Total - Reimbursement of expenses		**42**	**170**
(vii)	**Purchase of stock-in-trade from**			
	Four Seasons Wines Limited	Subsidiary	86	84
	Diageo Brands BV	Fellow subsidiary	1,038	1,264
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	30	14
	Total - Purchase of traded goods		**1,154**	**1,362**
(viii)	**Purchase of materials**			
	Pioneer Distilleries Limited	Subsidiary	721	520
	Diageo Brands BV	Fellow subsidiary	559	796
	Total - Purchase of materials		**1,280**	**1,316**
(ix)	**Bottling Charges**			
	Pioneer Distilleries Limited	Subsidiary	53	44
(x)	**Royalty expense**			
	Diageo Scotland Limited	Fellow subsidiary	19	3
	Diageo North America Inc.	Fellow subsidiary	86	77
	Total - Royalty expense (Refer Note 27)		**105**	**80**
(xi)	**Professional charges**			
	Diageo Business Service India Private Limited	Fellow subsidiary	140	-
	Total - Professional charges		**140**	**-**
(xii)	**Cross Charge – towards share based payments/ employee benefits expense**			
	Diageo Plc.	Parent	129	-
	Total - Cross charge		**129**	**-**
(xiii)	**Reimbursement of expenses paid to**			
	Sovereign Distilleries Limited	Subsidiary	2	2
	United Spirits Singapore Pte Ltd	Subsidiary	-	8
	Diageo Scotland Limited	Fellow subsidiary	2	-
	Diageo Australia Limited	Fellow subsidiary	6	25
	Diageo Brands BV	Fellow subsidiary	3	1
	Diageo North America Inc	Fellow subsidiary	8	31
	Diageo Great Britain Limited	Fellow subsidiary	5	1
	Total - reimbursement of expenses paid		**26**	**68**
(xiv)	**Loans given to**			
	Sovereign Distilleries Limited	Subsidiary	30	5
	Four Seasons Wines Limited	Subsidiary	16	89
	Royal Challengers Sports Private Limited	Subsidiary	1,107	835
	Tern Distilleries Private Limited	Subsidiary	13	9
	Total - Loans advanced		**1,166**	**938**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

36. (b) Summary of the transactions with related parties *(continued)*

	Name of the related party	Relationship	For the year ended March 31, 2018	For the year ended March 31, 2017
(xv)	**Loan repaid**			
	Royal Challengers Sports Private Limited	Subsidiary	2,255	460
	USL Holdings Limited	Subsidiary	5	689
	Four Seasons Wines Limited	Subsidiary	0	46
	McDowell's Scotland	Subsidiary	85	-
	Total – Loan/ Interest repaid		**2,345**	**1,195**
(xvi)	**Allowances reversed**			
	On Receivables [Refer Note 28(g)]			
	Pioneer Distilleries Limited	Subsidiary	-	819
	On Loans[Refer Note 28(f)]			
	Pioneer Distilleries Limited	Subsidiary	194	-
	USL Holdings Limited	Subsidiary	442	-
	Total - allowances reversed		**636**	**819**
(xvii)	**Contribution to employee benefit plans**			
	McDowell & Company Limited Officers Gratuity Fund	Employee benefits plan	**-**	336
	McDowell & Company Limited Staff Gratuity Fund	Employee benefits plan	**-**	20
	McDowell & Company Limited Employees Provident Fund	Employee benefits plan	152	161
	United Spirits superannuation Fund	Employee benefits plan	64	77
	Total - Contribution to employee benefit plans		**216**	**594**
(xviii)	**Assignment of receivables in favour of the Company from**			
	Diageo India Private Limited	Fellow subsidiary	-	3
(xix)	**Guarantee given to**			
	Pioneer Distilleries Limited	Subsidiary	-	1,000
(xx)	**Allowances during the year for Loans/ interest receivable**			
	Four Seasons Wines Limited	Subsidiary	73	136
	Pioneer Distilleries Limited	Subsidiary	377	194
	Total - allowances [Refer Note 28(e)]		**450**	**330**
(xxi)	**Indemnification settlement from**			
	Diageo plc	Parent	-	75

(c) Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Name of the related party	Relationship	As at March 31, 2018	As at March31, 2017
(i)	**Other receivables from related parties**			
	Diageo Plc	Parent	**-**	80
	Diageo Scotland Limited	Fellow subsidiary	-	24
	Diageo Great Britain Limited	Fellow subsidiary	7	-
	Total (Refer Note 5)		**7**	**104**
(ii)	**Advances to related parties**			
	Subsidiaries			
	Pioneer Distilleries Limited	Subsidiary	1,477	1,324
	Four Seasons Wines Limited	Subsidiary	7	18
	Total (Refer Note 9)		**1,484**	**1,342**

(All amounts in INR Millions except for share data or as otherwise stated)

36. (c) Summary of closing balances with related parties *(continued)*

	Name of the related party	Relationship	As at March 31, 2018	As at March31, 2017
(iii)	**Trade receivables from related parties**			
	United Spirits Nepal Private Limited	Subsidiary	-	84
	United Spirits Singapore Pte Limited	Subsidiary	79	123
	Guinness Nigeria Plc	Fellow subsidiary	6	8
	Total (Refer Note 11)		**85**	**215**
(iv)	**Indemnification settlement receivable**			
	Diageo Plc.	Parent	-	75
(v)	**Trade Payable to related parties**			
	United Spirits Singapore Pte Ltd	Subsidiary	88	87
	Diageo Plc	Parent	58	-
	Diageo Brands BV	Fellow subsidiary	535	937
	Diageo India Private Limited	Fellow subsidiary	-	5
	Diageo Great Britain Limited	Fellow subsidiary	-	5
	Diageo Australia Limited	Fellow subsidiary	4	3
	Diageo North America Inc.	Fellow subsidiary	17	20
	Diageo Scotland Limited	Fellow subsidiary	17	-
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	1	15
	Diageo Business Service India Pvt Limited	Fellow subsidiary	128	-
	Total trade payables to related parties (Refer Note 19)		**848**	**1,072**
(vi)	**Loans to subsidiaries outstanding**			
	Royal Challengers Sports Private Limited	Subsidiary	2,983	4,132
	Pioneer Distilleries Limited	Subsidiary	1,354	1,354
	Four Seasons Wines Limited	Subsidiary	781	765
	Sovereign Distilleries Limited	Subsidiary	35	5
	Tern Distilleries Private Limited	Subsidiary	22	9
	Asian Opportunities and Investments Limited	Subsidiary	532	458
	Liquidity Inc.	Subsidiary	66	65
	United Spirits (Shanghai) Trading Co. Ltd	Subsidiary	19	19
	McDowell & Co. (Scotland) Limited	Subsidiary	319	404
	USL Holdings Limited	Subsidiary	50,987	50,226
	USL Holdings (UK) Limited	Subsidiary	177	158
	Total - Loan Outstanding(Refer Note 4)		**57,275**	**57,595**
(vii)	**Allowance at the year end for Loans**			
	Four Seasons Wines Limited	Subsidiary	432	359
	Pioneer Distilleries Limited	Subsidiary	-	194
	Liquidity Inc	Subsidiary	66	65
	USL Shanghai	Subsidiary	19	19
	Asian Opportunities & Investments Limited	Subsidiary	532	458
	USL Holdings (UK)Limited	Subsidiary	177	158
	USL Holdings Limited	Subsidiary	50,405	50,102
	Total Allowance on doubtful loans (Refer Note 4)		**51,631**	**51,355**
(viii)	**Interest accrued on loans given to**			
	Royal Challengers Sports Private Limited	Subsidiary	1,141	313
	Pioneer Distilleries Limited	Subsidiary	377	377
	Four Seasons Wines Limited	Subsidiary	110	110
	McDowell & Co. (Scotland) Limited	Subsidiary	-	4
	Sovereign Distilleries Limited	Subsidiary	4	4
	Tern Distilleries Private Limited	Subsidiary	-	-
	USL Holdings Limited	Subsidiary	101	101
	Total interest accrued on loans to related parties (Refer Note 5)		**1,733**	**909**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

36. (c) Summary of closing balances with related parties *(continued)*

Name of the related party		Relationship	As at March 31, 2018	As at March 31, 2017
(ix)	**Allowance for interest accrued**			
	USL Holdings Limited	Subsidiary	101	101
	Pioneer Distilleries Limited	Subsidiary	377	-
	Four Seasons Wines Limited	Subsidiary	25	25
	Total - allowance for interest accrued (Refer Note 5)		**503**	**126**
(x)	**Guarantees given and outstanding**			
	Pioneer Distilleries Limited	Subsidiary	-	1,000
xi)	**Minimum offtake commitment for purchase of bulk scotch**			
	Diageo Scotland Limited	Fellow subsidiary	1,560	-

(d) Key management personnel compensation

Executive Directors	For the year ended March 31, 2018		For the year ended March 31, 2017
	Anand Kripalu	Sanjeev Churiwala	Anand Kripalu
Remuneration (*)	135	45	123
Employee share-based payments(**)	9	-	5
Total compensation	**144**	**45**	**128**

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

(**) Based on options exercised.

Non-Executive Directors	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	0.5	4.7	1.4	4.7
Indu Shahani	0.8	4.1	1.4	3.9
Rajeev Gupta	0.5	3.5	1.1	3.3
D Sivanandhan	0.6	4.1	1.6	3.9
V K Viswanathan	0.6	3.8	0.5	1.6
Nicholas Bodo Blazquez	-	-	0.3	1.9
Sudhakar Rao	-	-	0.2	0.5
Ravi Rajagopal	-	-	0.8	1.9
Total	**3.0**	**20.2**	**7.3**	**21.7**

(e) General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

Loans to subsidiaries given in earlier years, are generally for an indefinite period or for a period of three years with an option to roll-over based on mutually agreed terms. Interest rates range from NIL to 10%. All loans to related parties are unsecured.

The Company has not recognised interest on loans to following subsidiaries as recoverability of interest is not reasonably certain.

36. (e) General terms and conditions for transactions with related parties *(continued)*

Name of the borrower	March 31, 2018		March 31, 2017	
	Interest not recognised for the year	Cumulative interest not recognised	Interest not recognised for the year	Cumulative interest not recognised
Four Seasons Wines Limited	59	205	67	147
Pioneer Distilleries Limited	110	378	122	268
Royal Challengers Sports Private Limited	-	-	242	497
Sovereign Distilleries Limited	2	2	0	0
Tern Distilleries Private Limited	2	2	0	0
Total	**173**	**587**	**431**	**912**

37. Offsetting of financial assets and financial liabilities

(a) The Company provides working capital support to certain Tie-up manufacturing units (TMUs), who are responsible for manufacturing and distribution of certain products on behalf of the Company. The aforesaid working capital is represented by inventories, trade receivables, other financial assets and other financial liabilities. The Company has reported net working capital excluding inventory on the face of balance sheet as other financial assets /liability (net), as these amounts are expected to be settled on net basis. Details of such offset is given in the below table.

Particulars	As at March 31, 2018	As at March31, 2017
Trade receivables	1,197	258
Cash and cash equivalents	16	71
Other financial assets	209	80
Total Financial assets	**1,422**	**409**
Trade payables	112	82
Other financial liabilities	1,195	351
Total Financial liabilities	**1,307**	**433**
Net amount presented in the balance sheet	**115**	**(24)**
Receivable from TMUs (Included under Note 5)	1,050	881
Due to TMUs (Included under Note 17)	(935)	(905)
Total net working capital in TMU	115	(24)

(b) The Company gives volume based rebates to certain customers. As a practice amounts payable by Company are offset against receivables from such customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet. Details of such offset is given in the below table.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Trade receivables (gross)	27,547	29,722
Less: Volume discount	(549)	(117)
Total (Refer Note 11)	**26,998**	**29,605**

38 (a) Defined contribution plans

The Company contributes to defined contribution plans for employee such as Provident Fund (PF), Employees' Pension Scheme (EPS), Superannuation Fund (SF) and Employees' State Insurance (ESI). PF and EPS cover substantially all regular employees while the SF covers certain executives and ESI covers eligible employees. Contribution to SF is made to United Spirits Superannuation Fund ('USSF'). Other contributions are made to the Government funds or insurance companies. While both the employees and the Company pay predetermined contributions into the Provident Fund and the ESI Scheme, contributions into the pension fund and the superannuation fund are made only by the Company. The contributions are normally based on a certain percentage of the employee's salary.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

38. (a) Defined contribution plans *(continued)*

During the year, the Company has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds in the employee benefits expense.

Description	For the year ended March 31, 2018	For the year ended March 31, 2017
Provident fund and employee's pension scheme*	93	105
Superannuation fund	64	74
Employees' state insurance	10	6
National pension scheme	11	11
Total (Refer Note 25)	**178**	**196**

*Excluding contribution to PF made to trusts which are in the nature of defined benefit plans managed by the Company.

(b) Defined benefit plans

Gratuity:

The Company provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Company. The Company has employees' gratuity funds managed by the Company as well as by Insurance Companies.

Pension Plan:

The Company operates a defined benefit pension plan for certain executives and workers of the Company. This plan provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on their salary in the final year leading up to retirement.

Provident fund:

For certain executives and workers of the Company, contributions are made as per applicable Indian laws towards Provident Fund to certain Trusts set up and managed by the Company, where the Company's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Company. Having regard to the assets of the Fund and the return on the investments, shortfall if any, in the assured rate of interest notified by the Government, which the Company is obliged to make good is determined actuarially.

Gratuity, Provident Fund and Pension

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Description	As at/ for the year ended March 31, 2018			As at/ for the year ended March 31, 2017		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)
Obligation at the beginning of the year	1,464	2,694	18	2,180	2,455	18
Current service cost	160	152	-	166	161	-
Interest Cost	93	121	1	154	111	1
Benefit payments from plan assets	(286)	(488)	-	(456)	(545)	(4)
Transfer In/ Out	-	146	-	-	174	-
Employee contributions	-	188	-	-	206	-
Benefit payments from the Company	(16)	-	(2)	-	-	-
Actuarial (Gain) / Loss from changes in financial assumption	(33)	117	1	(322)	132	3
Actuarial (Gain) – Experience adjustments	(132)	-	-	(258)	-	-
Obligation at the end of the year	**1,250**	**2,930**	**18**	**1,464**	**2,694**	**18**

38. (b) Defined benefit plans *(continued)*

B. Reconciliation of opening and closing balances of the fair value of plan assets:

Description	As at / for the year ended March 31, 2018		As at / for the year ended March 31, 2017	
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Funded)	Provident fund (Funded)
Plan Assets at the beginning of the year	1,937	2,746	1,824	2,415
Employee contributions	-	188	-	206
Transfer In / (Out)	-	146	-	174
Contribution by the Company	-	152	357	161
Expected return on plan assets	134	121	142	112
Actuarial gains / (losses)	(38)	109	71	222
Benefits paid	(286)	(488)	(457)	(544)
Plan assets at the end of the year	**1,747**	**2,974**	**1,937**	**2,746**

C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet at the end of the year:

Description	As at March 31, 2018			As at March 31, 2017		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)
Present value of obligation	1,250	2,930	18	1,464	2,694	18
Fair value of plan assets	1,747	2,974	-	1,937	2,746	-
Asset ceiling	-	44	NA	-	52	NA
Liability/ (asset) recognised in Balance sheet (Refer Notes 9 and 18)	**(497)**	**-**	**18**	**(473)**	**-**	**18**
Current	NA	NA	2	NA	NA	2
Non-Current	(497)	NA	16	(473)	NA	16

D. Expenses recognised in the statement of profit and loss:

Description	For the year ended March 31, 2018			For the year ended March 31, 2017		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)
Current service cost	160	152	-	166	161	-
a. Interest expense on DBO	93	121	1	154	111	1
b. Interest (income) on plan assets	(134)	(121)	-	(142)	(112)	-
Net interest cost	(41)	-	1	12	(1)	1
Defined benefit cost (Refer Note 25)	**119**	**152**	**1**	**178**	**160**	**1**

E. Re-measurement effects recognised in other comprehensive income (OCI):

Description	For the year ended March 31, 2018			For the year ended March 31, 2017		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)
a. Actuarial (Gain) / Loss due to Financial Assumption changes in DBO	(33)	-	-	(320)	-	-
b. Actuarial (Gain) / Loss due to Experience on DBO	(132)	117	1	(258)	132	3
c. Return on Plan Assets (Greater) / Less than Discount rate	38	(109)	-	(71)	(221)	-
d. Movement in asset ceiling	-	(8)	-	-	-	-
Total Actuarial (Gain)/Loss included in OCI	**(127)**	**-**	**1**	**(649)**	**(89)**	**3**

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

38. (b) Defined benefit plans *(continued)*

F. Total Cost Recognised in Comprehensive Income:

Description	For the year ended March 31, 2018			For the year ended March 31, 2017		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)
Expense recognised in P&L (Refer Note 25)	119	152	1	178	160	1
Remeasurements Effects Recognised in OCI	(127)	-	1	(649)	(89)	3
Total Cost Recognised in Comprehensive Income	**(8)**	**152**	**2**	**(471)**	**71**	**4**

G. Investment details of plan assets:

Description	As at March 31, 2018		As at March 31, 2017	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	47%	-	45%
Private sector bonds	-	16%	-	9%
Public sector / financial institutional bonds	-	26%	-	34%
Special deposit scheme	-	4%	-	3%
Fund balance with insurance company	99%	-	99%	-
Others (including bank balances)	1%	7%	1%	9%
	100%	**100%**	**100%**	**100%**

H. Assumptions:

Description	As at March 31, 2018			As at March 31, 2017		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)
Discount rate (per annum)	7.40%	7.56%	7.40%	6.90%	7.10%	6.90%
Rate of increase in compensation levels	10.00%	NA	NA	10.00%	NA	NA
Attrition rate	13.20%	13.20%	NA	13.20%	13.20%	NA
Mortality rates	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	LIC (1996-1998 Annuitance rate)	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	LIC (1996-1998 Annuitance rate)

* IALM: Indian Assured Lives Mortality

(c) Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Description	Impact on defined benefit obligation					
	Changes in assumptions		Increase in assumption		Decrease in assumption	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Discount rate	1%	1%	Decrease by 4.83%	Decrease by 6.30%	Increase by 5.34%	Increase by 3.69%
Rate of increase in compensation levels	1%	1%	Increase by 5.16%	Increase by 3.32%	Decrease by 4.77%	Decrease by 6.12%

(All amounts in INR Millions except for share data or as otherwise stated)

38. (c) Sensitivity analysis: *(continued)*

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(d) Risk exposure:

Through its defined benefit plans, Company is exposed to number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in government securities and pre-defined insurance plans. These are subject to interest rate risk and the fund manages interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in bond yields	A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in March 2018 consists of government and public sector bonds, although the Company also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

(e) Effect of the defined benefit plan on the entity's future cash flows

Expected contributions to post-employment benefit plans for the year ending March 31, 2019 is INR 167. The weighted average duration of the defined benefit obligation is 6.12 years (2017: 6.12 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2018	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Gratuity	201	174	466	563	**1,404**
Provident fund	351	371	1,034	1,301	**3,057**
Total	**552**	**545**	**1,500**	**1,864**	**4,461**

March 31, 2017	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Gratuity	244	204	549	600	**1,597**
Provident fund	522	378	976	1,144	**3,020**
Total	**766**	**582**	**1,525**	**1,744**	**4,617**

Note: The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

39. Leases

(a) Finance lease:

The Company has acquired office equipment and vehicles on finance leases. The lease agreements for office equipment and vehicles are generally for a primary period of 36 to 60 months. The Company has an option to renew these leases for a secondary period. Lease arrangements for land is generally for a period of 95-99 years.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

39. (a) Finance lease: *(continued)*

The minimum lease payments and their present value for the finance leases, are as follows:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	43	47	66	73
Later than one year and not later than five years	27	30	69	74
Later than five years	-	-	-	-
	70	**77**	**135**	**147**
Less: Finance charges		7		12
Total (Refer Note 16)		**70**		**135**

(b) Operating lease:

The Company's significant operating leasing arrangements are in respect of premises (residential, office, manufacturing facilities, etc.) and plant and equipment, which are for a period generally ranging between 11 months and 3 years. These arrangements are usually renewable on mutually agreeable terms.

Rental expense relating to operating lease:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Minimum lease payments	817	1,135
Contingent rent	970	929
Total rental expense relating to operating lease (Refer Note 27)	**1,787**	**2,064**

Contingent rent represents bottling fees paid to tie-up manufacturers under an arrangement which are in nature of operating lease, where rent is determined based on the output / volume.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Particulars	As at March 31, 2018	As at March 31, 2017
Within one year	371	306
Later than one year and not later than five years	562	561
Later than five years	313	313
Total	**1,246**	**1,180**

40. Initial and Additional Inquiry

As disclosed in the financial statements for the year ended March 31, 2017, pursuant to the findings of the Board's initial inquiry into past improper transactions ('Initial Inquiry'), which was completed in April 2015, the Company executed settlement agreements with ten parties identified in the Initial Inquiry, and settlements with four parties were pending at the end of the previous financial year. During the quarter ended June 30, 2017, the Company reached settlements with two of the remaining parties. Discussions with one of the remaining parties turned adverse, and the matter remains likely to manifest itself into a dispute. The last remaining party identified in the Initial Inquiry has ceased to be in business and therefore it is not possible to reach any settlement with this party. All amounts relating to the said two parties that remain unsettled have been fully provided for. Therefore, there is no further material exposure to the Company.

As disclosed in the financial statements for the year ended March 31, 2017, upon completion of the Initial Inquiry which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016 and which prima facie identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be

(All amounts in INR Millions except for share data or as otherwise stated)

40. Initial and Additional Inquiry *(continued)*

affiliated or associated with the Company's former non-executive chairman, Dr.Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior years. Pursuant to a detailed review of each case of such fund diversion, and after obtaining expert legal advice, the Company has, where appropriate, filed civil suits for recovery of funds from certain parties, including, Dr. Vijay Mallya, before the appropriate courts. Further, at this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions.

41. Loan to UBHL

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016 and March 31, 2017, the Company had pre-existing loans/ deposits/ advances/accrued interest that were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ('UBHL') and its subsidiaries aggregating INR 13,374 and that 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 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374, and for the accrued interest of INR 846 up to March 31, 2014. The Company has also not recognised interest income on said loan aggregating to INR 5,019 for the period from April 1, 2014 to March 31, 2018. The Company has offset payable to UBHL under the trademark agreement amounting to INR 307 for the year ended March 31, 2018 (cumulatively INR 846 up to March 31, 2018) against the aforesaid interest receivable from UBHL and consequently corresponding provision for interest receivable has been reversed to 'Other Income' in the relevant periods.

The Company sought redressalof disputes and claims through arbitration under the terms of the Loan Agreement. On April 08, 2018, i.e., subsequent to the end of the financial year ended March 31, 2018, the arbitral tribunal passed a final order against the Company. The reasons for this adverse award are disputed by the Company, and the Company is presently working with legal experts to challenge the said award. Notwithstanding the arbitration award, based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the interest and loan receivable from UBHL.

42. Excess managerial remuneration pertaining to earlier year

The managerial remuneration for the financial year ended March 31, 2015 aggregating INR 63 and INR 153 to the Managing Director & Chief Executive Officer ('MD & CEO') and the former Executive Director and Chief Financial Officer ('ED & CFO'), respectively, was approved by the shareholders 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 Companies Act, 2013 ('Act') by INR 51 to the MD & CEO and INR 134 to the former ED & CFO. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. The Central Government, by letters dated April 28, 2016 did not approve the Company's applications. On May 24, 2016 the Company resubmitted the applications, along with detailed explanations, to the Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO by its letter dated July 12, 2016 and filed a civil suit to recover the sums from the former ED & CFO. The Company is awaiting response from the Central Government to its resubmitted application in respect of the MD & CEO.

43. Regulatory notices and communications

The Company had received letters and notices from various regulatory and other government authorities as follows:

a) as disclosed in the financial statements for the years ended March 31, 2016 and March 31, 2017, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement entered into by the Company with Dr.Vijay Mallya to which the Company has responded and no further communications have been received thereafter;

b) as disclosed in the financial statements for the years ended March 31, 2016 and March 31, 2017, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013 to which the Company had responded. The Company has received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. The Company thereafter filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and requested the Registrar to drop one show cause notice based on expert legal advice received. The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material;

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

43. Regulatory notices and communications *(continued)*

c) as disclosed in the financial statements for the years ended March 31, 2016 and March 31, 2017, from the Directorate of Enforcement ('ED') in connection with agreements entered into with Dr.Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company hadresponded and no further communications have been received thereafter; and

d) as disclosed in the financial statements for the year ended March 31, 2017, from the Company's authorised dealers in relation to certain queries from Reserve Bank of India ('RBI') with regard to: (i) remittances made in prior years by the Company to its overseas subsidiaries; (ii) past acquisition of the Whyte and Mackay group; (iii) clarifications on Annual Performance Reports ('APR') submitted for prior years; and (iv) compliances relating to the Company's overseas Branch office, all of which the Company had responded to. During the financial year ended March 31, 2018, the Company has received further queries from authorised dealers in connection with items (i), (iii) and (iv) above to which the Company has responded.

44. Dispute with a bank

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016 and March 31, 2017, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from a bank in earlier years under a consortium arrangement, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280, including prepayment penalty of INR 40, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the stand taken by the bank and its writ petition is pending before the Hon'ble High Court of Karnataka. On completion of the loan tenure on March 31, 2015, the bank demanded an amount of INR 474 towards principal and interest on the said loan, which the Company contested in the Hon'ble High Court of Karnataka. In August 2015, the bank obtained an ex parte injunction in proceedings between the bank and KFA, before the Debt Recovery Tribunal, Bangalore ('DRT'), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed their objections against such ex parte order passed in proceedings in which neither the Company nor the USL Benefit Trust were enjoined as parties. In December 2015, the Hon'ble High Court of Karnataka issued a stay order restraining the bank from dealing with the above mentioned pledged shares until further orders. Thereafter in February 2016, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459, and the Company also received a subsequent notice in March 2016 issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Hon'ble High Court of Karnataka, in the writ proceedings, the Hon'ble High Court of Karnataka directed that if the Company deposited the sum of INR 459 with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets including shares pledged with the bank till disposal of the original writ petition filed by the Company before the Hon'ble High Court of Karnataka. During the quarter ended June 30, 2016, the Company accordingly deposited the said sum and replied to the bank's various notices in light of the above. The aforesaid amount has been accounted as other non-current financial asset [Refer Note 5(a)]. On January 19, 2017, the DRT dismissed the application filed by the bank seeking the attachment of USL Benefit Trust shares. The Company on March 13, 2017 issued a legal notice to the bank asking them to provide the 'no-objection' for the release of the pledged shares, withdrawing the notices under SARFAESI and also to pay compensation on account of loss of interest, value of differential share price, loss of reinvestment opportunity, reputational damage etc. to which the bank has responded denying the claim. During the quarter ended June 30, 2017, the Company issued a rejoinder denying the incorrect averments of the bank and issued notice to each member of the board of directors of the bank informing them of the issue and the 'mala-fide' actions of the bank, to which the bank has responded denying the claim. The bank has, during the quarter ended September 30, 2017 filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, the bank has subsequent to the order for the DRAT, filed an application impleading the Company in the proceedings.

45. Claim from a customer

Consequent to a voluntary disclosure made by the Company to a customer regarding prices historically charged by the Company to the customer being inconsistent with trading terms that apply between the Company and the customer, the Company received a claim during the quarter ended September 30, 2016 and thereafter a debit note for the period up to December 31, 2016, in the quarter ended March 31, 2017 and a revised debit note for the period up to April 30, 2017, in the quarter ended June 30, 2017. After considering an accrual of INR 250 which was made on this account in the financial year ended March 31, 2016, an additional liability had been recorded for the balance amount of INR 3,030 (including potential liability of INR 130 for the period January to March 2017) during the year ended March 31, 2017 of which INR 460 related to claims for sales made during the year ended March 31, 2017, which had been recorded as reduction from Revenue from

(All amounts in INR Millions except for share data or as otherwise stated)

45. Claim from a customer *(continued)*

Operations, and INR 2,570 pertaining to sales made in earlier years which had been disclosed as an exceptional item in the Statement of profit and loss for the year ended March 31, 2017. In respect of some of the specific products, the prices demanded by the customer resulted in the Company incurring a foreseeable loss and accordingly a provision for the onerous element in such contracts amounting to INR 75 had been made and included in exceptional items for the year ended March 31, 2017. The aggregate amount included in exceptional items was therefore INR 2,645 for the year ended March 31, 2017(Refer Note 28). For the quarter ended June 30, 2017, the estimated potential liability of INR 47 on account of price differences has been utilised from onerous provision and the remaining excess onerous provision no longer required, of INR 28, has been reversed as an exceptional item. During the quarter ended December 31, 2017, the Company utilized INR 3,200 out of the existing liability of INR 3,327 and offset receivables of equivalent amount from the customer. The customer and the Company have agreed on the revised price and trading terms for future supplies. (Refer Note 17).

46. Receivable from Bihar government

The Government of Bihar by its notification dated April 5, 2016 imposed a ban on trade and consumption of Indian Made Foreign Liquor and foreign liquor in the state of Bihar with immediate effect. Writ petitions were filed with the Hon'ble High Court of Patna challenging the said notification and seeking payment for supplies made by the Company and its Tie-up manufacturing units to Bihar State Beverages Corporation Limited ('BSBCL'). By an order dated September 30, 2016, the Hon'ble High Court of Patna set aside the notification dated April 5, 2016 and held Section 19(4) of the Bihar Excise Act, 1915, as ultra vires the Constitution of India. Subsequently, the Government of Bihar re-imposed prohibition by notifying a new legislation i.e. The Bihar Prohibition and Excise Act, 2016, on October 02, 2016. The Government of Bihar also preferred a special leave petition ('SLP') before the Hon'ble Supreme Court against the judgment of the Hon'ble High Court of Patna pursuant to which the Hon'ble Supreme Court has stayed the order of the Hon'ble High Court of Patna. During the quarter ended December 31, 2016, the Company made an application seeking compensation from the Government of Bihar towards losses suffered as a result of arbitrary imposition of prohibition.

On January 24, 2017, the Government of Bihar issued a Notification prohibiting the manufacture of alcoholic beverages in the State (with effect from April 1, 2017) the consequences of which criminalise the continued storage of all stock of raw material and finished goods in the State of Bihar (including the stock lying at BSBCL). Pursuant to an application by the Confederation of Indian Alcoholic Beverage Companies (CIABC) in the Supreme Court, the Government of Bihar extended this timeline to April 30, 2017 and the Hon'ble Supreme Court further extended this to July 31, 2017, to allow additional time for companies to transfer said materials out of the State of Bihar.

The Company has since transferred substantial stocks of raw materials and finished goods outside the state of Bihar including the 'billed stocks' supplied by the Company pursuant to valid orders for sales which were in the possession of BSBCL and has destroyed such stocks which could not be transferred. In relation to certain raw materials lying in the State of Bihar, the Company during the quarter ended December 31, 2017 had received an approval from the Department of Liquor Prohibition, Bihar for sale of such raw material to entities outside the State of Bihar, before January 31, 2018, pursuant to which the said raw material has been shifted out of the State of Bihar during the quarter ended March 31, 2018.

The Company had sought from the Government of Bihar refund of statutory duties i.e. VAT and Excise duty paid in respect of the said stocks aggregating to INR 553 (including statutory duties paid by the Tie-up Manufacturing Units) which is considered good and receivable and is classified as other non- current assets (Refer Note 9). The Company had made a provision of INR 267 towards inventory reprocessing charges and write down in the value of inventory (Refer Note 10) for the year ended March 31, 2017. Further, a provision of INR 110 had been made towards employee retrenchment during the year ended March 31, 2017. The total provision in respect of the above items aggregating to INR 377 for the year ended March 31, 2017 had been disclosed as an exceptional item[Refer Note 28(a)]. During the current financial year, an additional provision of INR 180 has been made towards inventory reprocessing charges and write down in the value of inventory (Refer Note 10) and has been disclosed as an exceptional item. During the quarter ended September 30, 2017, the Company had received a letter from the Government of Bihar, stating that it is not liable to refund the aforesaid statutory duties under the Bihar Prohibition and Excise Act, 2016. Thereafter, on October 17, 2017, the Company filed a writ petition before the Hon'ble High Court of Patna seeking refund of the aforesaid statutory duties, i.e. VAT & Excise Duty paid by the Company to the Government of Bihar, which petition is presently pending adjudication.

During the quarter ended March 31, 2018, the Company received a demand from BSBCL seeking demurrage charges for the stock that was lying in their warehouses post the imposition of prohibition till the same was shifted out of the state pursuant to the orders of the Supreme Court. The Company has refuted the claim and has filed a detailed response.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

47. Disposal of investment in United Spirits Nepal Private Limited

On January 15, 2016, the Company had entered into an agreement for sale of its entire holding of 67,716 equity shares in United Spirits Nepal Private Limited ('USNPL'), constituting 82.46% of the paid up equity share capital of USNPL. The sale was subject to various regulatory approvals and other conditions precedent. During the current year, the Company has secured the approval of the Reserve Bank of India under the Foreign Exchange Management Act, 1999, in respect of the sale of shares in USNPL. Following the receipt of other relevant regulatory approvals and fulfilment of other conditions precedent, on February 28, 2018, the Company completed the sale of all the 67,716 equity shares held by it in USNPL at a price of Nepalese Rupees 5,042 per share, amounting to a total consideration of Nepalese Rupees 341,424,072 (INR 213).This resulted in a gain on disposal of investment in subsidiary of INR 148 which has been disclosed as an exceptional item [Refer Note 28(i)]. The sale consideration was remitted to India following the deduction of applicable taxes in Nepal. Following the completion of this sale, the Company holds no shares in USNPL, and USNPL has ceased to be a subsidiary of the Company. The Company will continue to have a licensing arrangement with USNPL pursuant to which, products bearing the Company's brand names will continue to be manufactured, marketed and sold in Nepal.

48. Capital and other commitments

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Capital commitments for property, plant and equipment	696	341
(b) Other commitments:	1,150	1,751
i. relating to advertisement, sales promotion and trade mark fee		
ii. Towards minimum offtake commitment for purchase of bulk scotch from a related party	1,560	-

The Company has given letters of support to the following subsidiaries to conduct their operations in such a manner as to enable them to meet their obligations, as and when they fall due for a period of twelve months from the balance sheet date:

i) United Spirits (Shanghai) Trading Co. Limited ii) Pioneer Distilleries Limited iii) Sovereign Distilleries Limited iv) Tern Distilleries Private Limited v) Four Seasons Wines Limited vi) Royal Challengers Sports Private Limited vii) Asian Opportunities & Investment Limited viii) United Spirits Singapore Pte Limited ix) Montrose International SA x) Palmer Investment Group Limited xi) UB Sports Management Overseas Ltd (Formerly known as " JIHL Nominees Limited") xii) USL Holdings Limited xiii) USL Holdings (UK) Limited xiv) United Spirits (UK) Limited xv) United Spirits (Great Britain) Limited xvi) Liquidity Inc.

49. Contingent Liabilities

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Claims against the Company from tax authorities not acknowledged as debts:		
(i) State Excise demands primarily for excess wastages and distillation losses	1,861	1,978
(ii) Central Excise matters	378	2
(iii) Service tax disputes	233	233
(iv) Income tax disputes (including interest)	7,220	7,176
(v) Sales tax and entry tax disputes in various states	1,216	2,069
(b) Others		
(i) Property, labour and civil litigations	2,653	2,692
(ii) Claims from suppliers/ erstwhile customers not acknowledged as debts	279	65

Management is optimistic of a favourable outcome in the above appeals / disputes based on legal opinions / management assessment.

It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

50. Research expenses

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries and wages	57	48
Contribution to provident fund and other funds	5	5
Staff welfare expenses	1	1
Rent	5	4
Miscellaneous expenses	24	22
Total Research expenses	**92**	**80**

(All amounts in INR Millions except for share data or as otherwise stated)

51. Dues to Micro and Small Enterprises

Particulars	As at March 31, 2018	As at March 31, 2017
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end (Refer Note 19)	89	195
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	17	14
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	230	435
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	1	3
Interest due and payable towards suppliers registered under MSMED Act, for payments already made	4	9
Further interest remaining due and payable for earlier years	13	5

The above information has been determined to the extent such parties have been identified on the basis of information provided by the Company, which has been relied upon by the auditors.

52. Corporate Social Responsibility (CSR)

CSR amount required to spent as per Section 135 of the companies Act, 2013 read with schedule VII thereof by the company during the current year is INR 36(2017: NIL).

Details of actual CSR expenditure incurred:

Particulars	For the year ended March 31, 2018
Amount spent during the year on:	
i) Construction/ Acquisition of assets	-
ii) On purposes other than i) above	105

53. (a) Details of Investments (Original cost) as per Section 186 (4) of Companies Act, 2013

Name of the Subsidiaries	Relationship	As at March 31, 2018	As at March 31, 2017
Domestic subsidiaries			
Royal Challengers Sports Private Limited	Wholly owned subsidiary	1,699	1,699
Four Seasons Wines Limited	Wholly owned subsidiary	693	693
Tern Distilleries Private Limited	Wholly owned subsidiary	1,127	1,127
Sovereign Distilleries Limited	Wholly owned subsidiary	4,582	4,582
Pioneer Distilleries Limited	Subsidiary	1,117	1,117
Overseas Subsidiaries			
Asian Opportunities & Investments Limited	Wholly owned subsidiary	301	301
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	126	126
USL Holdings Limited	Wholly owned subsidiary	22	22
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	27	27
Liquidity Inc.	Subsidiary	119	119
Shaw Wallace Overseas Limited	Wholly owned subsidiary	14	14
United Spirits Nepal Private Limited	Subsidiary	-	66
Palmer Investment Group Limited	Wholly owned subsidiary	6,918	6,918
Montrose International S.A	Wholly owned subsidiary	134	134
Total		**16,879**	**16,945**

53. (b) Details of loans (gross) as per Section 186 (4) of Companies Act, 2013

(All amounts in INR Millions except for per share data or as otherwise stated)

Name of the borrower	Relationship	Secured / unsecured	Purpose	Rate of Interest 2017-18	Rate of Interest 2016-17	Term/ Repayment schedule	As at March 31, 2018	As at March 31, 2017
Domestic subsidiaries								
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Unsecured	Working capital	9%	10%	Principal and interest to be repaid on March 31, 2019	2,983	2,913
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Interest free	Principal to be repaid on March 31, 2019	-	1,219
Four Seasons Wines Limited	Wholly owned subsidiary	Unsecured	Working capital	9%	10%	Principal and interest to be repaid on March 31, 2022	781	765
Tern Distilleries Private Limited	Wholly owned subsidiary	Unsecured	Working capital	9%	10%	Principal and interest to be repaid on December 4, 2019	22	9
Sovereign Distilleries Limited	Wholly owned subsidiary	Unsecured	Working capital	9%	10%	Principal and interest to be repaid on October 24, 2020	35	5
Pioneer Distilleries Limited	Subsidiary	Unsecured	Working capital / Capex funding	9%	10%	Principal to be repaid on August 5, 2026	1,354	1,354
Overseas Subsidiaries								
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Interest free	Refer note below	532	458
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Interest free	Refer note below	319	388
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	Unsecured	Working capital	10%	12%	No stipulated repayment term	-	16
USL Holdings Limited	Wholly owned subsidiary	Unsecured	Working capital / Funding towards acquisition of Whyte and Mackay Limited	Interest free	Interest free	Refer note below	50,987	50,382
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Unsecured	Working capital	Interest free	Interest free	Refer note below	19	16
Liquidity Inc.	Subsidiary	Unsecured	Working capital	Interest free	Interest free	Refer note below	66	54
USL Holdings (UK)Limited	Subsidiary	Unsecured	Working capital	Interest free	Interest free	Refer note below	177	159
Others								
United Breweries (Holdings) Limited	None	Unsecured	Refer Note 41	9.50%	9.50%	8 years	13,374	13,374
Total							**70,649**	**71,112**

Note: The loans granted to these companies in earlier years are interest free without any repayment term stipulated and were largely intended towards acquisition of long term strategic investments.

(c) Details of guarantee given

Name of the party	Relationship	Nature	Purpose	As at March 31, 2018	As at March 31, 2017
Pioneer Distilleries Limited	Subsidiary	Financial Guarantee given for loans	Security towards working capital loan given by a bank	-	1,000
Total				**-**	**1,000**

(All amounts in INR Millions except for share data or as otherwise stated)

54. Disclosure as per Regulation 34 (3) and 53 (f) read with Part A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of loans/ advances/ investments outstanding as at year end

Name of subsidiaries	Investments in equity at cost held as at March 31, 2018	Gross loans outstanding as at March 31, 2018	Maximum amount of loans and advances outstanding during the year
Asian Opportunities & Investments Limited	301	532	532
Four Season Wines Limited	693	781	781
Shaw Wallace Overseas Limited	14	-	-
USL Holdings Limited	22	50,987	50,987
USL Holdings UK Ltd	-	177	177
Pioneer Distilleries Limited	1,117	1,354	1,354
United Spirits Nepal Private Limited	-	-	-
Palmer Investment Group Limited	6,918	-	-
Montrose International S.A	134	-	-
United Spirits Shanghai Trading Co. Limited	27	19	19
McDowell & Co (Scotland) Limited	126	319	416
Royal Challengers Sports Private Limited	1,699	2,983	4,269
Tern Distilleries Private Limited	1,127	22	22
Liquidity Inc.	119	66	66
Sovereign Distilleries Limited	4,582	35	35

Name of subsidiaries	Investments in equity at cost held as at March 31, 2017	Gross loans outstanding as at March 31, 2017	Maximum amount of loans and advances outstanding during the year
Asian Opportunities & Investments Limited	301	458	502
Four Season Wines Limited	693	765	765
Shaw Wallace Overseas Limited	14	-	-
USL Holdings Limited	22	50,382	52,270
USL Holdings UK Limited	-	156	190
Pioneer Distilleries Limited	1,117	1,354	1,354
United Spirits Nepal Private Limited	66	-	-
Palmer Investment Group Limited	6,918	-	-
Montrose International S.A	134	-	-
United Spirits Shanghai Trading Co. Limited	27	16	16
McDowell & Co (Scotland) Limited	126	404	433
Royal Challengers Sports Private Limited	1,699	4,130	4,244
Tern Distilleries Private Limited	1,127	9	9
Liquidity Inc.	119	54	54
Sovereign Distilleries Limited	4,582	5	5

The aforesaid amount are gross of provisions, if any made based on Management assessment of recoverability. For repayment schedule and interest related terms, ReferNote 53(b).

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for share data or as otherwise stated)

55. The Company does not have any derivative contracts as at March31, 2018. The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is considered necessary based on the review ofsuch contracts as at year end.

56. Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016:

Amount in INR

Particulars	Specified Bank Notes	Other Denomination Notes	Total
Closing cash in hand as at November 8, 2016	1,169,500	429,225	1,598,725
(+) Receipts not permitted*	145,500	-	145,500
(+) Permitted receipts	-	1,379,054	1,379,054
(-) Permitted payments	94,500	902,581	997,081
(-) Amount deposited in banks	1,220,500	552,110	1,772,610
Closing cash in hand as at December 30, 2016	**-**	**353,588**	**353,588**

* includes INR 17,500 which were returned by employees from imprest balances.

57. Previous year figures have been regrouped / reclassified to conform to the current year's classification.

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

Pradip Kanakia
Partner
Membership number: 039985

Place : Bengaluru
Date : May 24, 2018

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V K Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place : Bengaluru
Date : May 24, 2018

V Ramachandran
EVP & Company Secretary

INDEPENDENT AUDITORS' REPORT

To the Members of United Spirits Limited

Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying consolidated Ind AS financial statements of United Spirits Limited ("hereinafter referred to as the Holding Company"), its subsidiaries and the trust controlled by it, together referred to as "the Group", and its associate company; [refer Note 52(a) to the accompanying consolidated Ind AS financial statements], comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statement of Profit and Loss(including Other Comprehensive Income), the consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information prepared based on the relevant records.

Management's Responsibility for the Consolidated Ind AS Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the Group including its associate company in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015(as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. The respective Board of Directors of the companies included in the Group and of its associate company are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate company respectively and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

4. We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

6. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraphs 9 and 11 under the section titled "Other Matter" below, other than the unaudited financial information as certified by the management of the Holding Company and referred to in paragraph 10 under section titled "Other Matter" below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

Opinion

7. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and its associate company as at March 31, 2018, and their consolidated total comprehensive income(comprising of consolidated profit and consolidated other comprehensive income), their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Emphasis of Matter

8. We draw attention to the following matters:

   a) As explained in Note 42 to the consolidated Ind AS financial statements, the Managerial remuneration for the year ended March 31, 2015 included amounts paid to managerial personnel of the Holding Company in excess of the limits prescribed under the provisions of Schedule V to the Act by INR 51 million to the Managing Director and Chief Executive Officer (MD & CEO) and by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). With regard to excess remuneration paid to MD & CEO the Holding Company has made the necessary application, along with the required clarifications, for Central Government approval, response to which is awaited. Further, in respect of excess remuneration paid to the former ED & CFO the Holding Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration.

   b) As explained in Note 40 to the consolidated Ind AS financial statements, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, had carried out an Additional Inquiry that revealed transactions indicating actual or potential fund diversions to entities that appear to be affiliated or associated with the erstwhile non-executive Chairman of the Holding Company and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Holding Company or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Group, if any, arising from potential non-compliances with applicable laws in respect of the above.

   c) As explained in Note 44 to the consolidated Ind AS financial statements, the Holding Company is in litigation with a bank ('the Bank') that continues to retain the pledge of certain assets of the Holding Company and of the Holding Company's shares held by USL Benefit Trust (of which the Holding Company is sole beneficiary) despite the Holding Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Honourable High Court of Karnataka (the 'Court'). The Court has directed the Bank not to deal with the pledged assets of the Holding Company (including Holding Company's shares held by USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Holding Company in the Court.

   d) Note 46 to the consolidated Ind AS financial statements which describes the uncertainty related to the outcome of Special Leave Petition (the "SLP") filed by the Government of Bihar with the Honourable Supreme court, in relation to the ban imposed by the Government of Bihar on trade and consumption of Indian Made Foreign Liquor and Foreign Liquor in the State of Bihar with effect from April 5, 2016 which was set aside by the Honourable High Court of Patna in its judgment dated September 3o, 2016. The statutory duties (VAT and Excise duty) paid on such stocks aggregating to INR 553 million (including duties paid by the Tie-up manufacturing units) have been considered as good and receivable from the Government of Bihar notwithstanding a letter received during the quarter ended September 30, 2017 by the Holding Company from the Government of Bihar stating that it is not liable to refund the aforesaid statutory duties under the Bihar Prohibition and Excise Act, 2016. The Holding Company has on October 17, 2017, filed a writ petition before the Honourable High Court of Patna seeking refund of the aforesaid statutory duties paid by the Holding Company to the Government of Bihar, which is presently pending adjudication.

   e) Note 43 to the consolidated Ind AS financial statements:

      i) regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Holding Company's Initial Inquiry and Additional Inquiry and certain aspects of the

agreement between the Holding Company and its erstwhile non-executive chairman to which the Holding Company has responded;

ii) regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Act by Ministry of Corporate Affairs/ Registrar of Companies, Karnataka, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Holding Company had responded. Further, the Holding Company has received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Holding Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. The Holding Company has filed applications for compounding of offenses with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and has requested the Registrar to drop one show cause notice based on an expert legal advice received;

iii) regarding the ongoing investigation by the Directorate of Enforcement under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Holding Company has responded; and

iv) regarding clarifications sought by Authorised Dealers in relation to certain queries from Reserve Bank of India with regard to remittances made in prior years to subsidiaries of the Holding Company, past acquisition of the Whyte and Mackay group, clarifications on Annual Performance Reports submitted for prior years and clarifications on compliances relating to the Holding Company's overseas Branch office, to which the Holding Company has responded.

Our opinion is not modified in respect of the matters described above.

Other Matter

9. We did not audit the financial statements of one trust controlled by the Holding Company and incorporated in India,whose financial statements reflect total assets of INR 49 million and net assets of INR 41 million as at March 31, 2018, total revenue of INR Nil, total comprehensive income (comprising of loss and other comprehensive income) of INR 0 and net cash flows amounting to INR 0 for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements have been audited by other auditor whose report has been furnished to us by the Management of the Holding Company and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of this trust and our report in terms of Section 143(3) of the Act insofar as it relates to the aforesaid trust is based solely on the report of the other auditor.

10. The consolidated Ind AS financial statements also include the Group's share of total comprehensive income (comprising of loss and other comprehensive income) of INR Nil for the year ended March 31, 2018 in respect of one associate company whose financial information has not been audited by us. Such financial information is unaudited and has been furnished to us by the Management of Holding Company, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of this associate company and our report in terms of Section 143(3) of the Act insofar as it relates to the aforesaid associate company, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management of the Holding Company, such financial information is not material to the Group.

11. The financial statements of fourteen subsidiaries located outside India, included in the consolidated Ind AS financial statements, which constitute total assets of INR 1,239 million and net assets of INR 1,088 million as at March 31, 2018, total revenue of INR 1,217 million, total comprehensive income (comprising of loss and other comprehensive income) of INR (239) million and net cash flows amounting to INR 921 million for the year then ended have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of such other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

Our opinion on the consolidated Ind AS financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the matters specified in paragraphs 9, 10 and 11 with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

12. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.

(b) In our opinion, proper books of account as required by law maintained by the Holding Company, its subsidiaries included in the Group and associate company incorporated in India including relevant records relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company, its subsidiaries and the trust controlled by it,included in the Group and the associate company incorporated in India including relevant records relating to the preparation of the consolidated Ind AS financial statements.

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.

(e) The matters described in sub-paragraph (b), (c), (d) and (e) of Paragraph 8 above titled "Emphasis of Matter" in our opinion, may have an adverse effect on the functioning of the Group.

(f) On the basis of the written representations received from the Directors of the Holding Company as on March 31, 2018 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

(g) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in Annexure A. Reporting under Section 143(3)(i) of the Act in respect of the adequacy of the internal financials controls over financial reporting is not applicable to the controlled trust and associate company incorporated in India pursuant to MCA notification GSR 583(E) dated June 13, 2017.

(h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated Ind AS financial statements disclose the impact, if any, of pending litigations as at March 31, 2018 on consolidated financial position of the Group and its associate company– Refer Notes 18, 41, 42, 44, 46 and 49 to the consolidated Ind AS financial statements;

ii. The Group and its associate company did not have any long-term contracts including derivative contracts as at March 31, 2018 for which there were any material foreseeable losses- Refer Note 55 to the consolidated Ind AS financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and associate company incorporated in India during the year ended March 31, 2018; and

iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group and its associate company for the year ended March 31, 2018.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 24, 2018

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT

Referred to in paragraph 12(g) of the Independent Auditors' Report of even date to the members of United Spirits Limited on the consolidated Ind AS financial statements for the year ended March 31, 2018

Report on the Internal Financial Controls under Section 143(3)(i) of the Act

1. In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2018, we have audited the internal financial controls over financial reporting of United Spirits Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its subsidiary companies, which are companies incorporated in India to whom reporting under Section 143(3)(i) of the Act in respect of the adequacy of the internal financial controls over financial reporting is applicable, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary companies which are companies incorporated in India.

Meaning of Internal Financial Controls Over Financial Reporting

6. A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the

ANNEXURE A TO INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Holding Company and its subsidiary companies which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the Holding Company and its subsidiary companies which are companies incorporated in India, considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Pradip Kanakia
Partner
Membership Number: 039985

Bengaluru
May 24, 2018

CONSOLIDATED BALANCE SHEET

(All amounts in INR Millions except for per share data or as otherwise stated)

	Notes	As at March 31, 2018	As at March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	13,714	14,554
Capital work-in-progress		1,018	1,993
Investment properties	3.3	-	-
Goodwill	3.2	361	680
Other intangible assets	3.2	3,838	3,932
Financial assets			
Loans	5	157	205
Other financial assets	6	1,077	1,292
Deferred tax assets (net)	7	1,714	1,781
Income tax assets (net)	8	6,069	3,256
Other non-current assets	9	4,253	3,775
Total non-current assets		**32,201**	**31,468**
Current assets			
Inventories	10	19,197	19,276
Financial assets			
Investments	4	1	1
Trade receivables	11	27,112	29,534
Cash and cash equivalents	12.1	1,419	785
Bank balances other than cash and cash equivalents	12.2	1,141	87
Loans	5	299	227
Other financial assets	6	2,798	974
Other current assets	9	3,978	5,368
Total current assets		**55,945**	**56,252**
Assets classified as held for sale	13	1,417	1,239
Total assets		**89,563**	**88,959**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,453	1,453
Other equity			
Reserves and surplus	15	22,738	16,403
Equity attributable to the owners of the Group		**24,191**	**17,856**
Non-controlling interests		136	(25)
Total equity		**24,327**	**17,831**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	16	7,628	8,697
Provisions	18	526	442
Total non-current liabilities		**8,154**	**9,139**

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	Notes	As at March 31, 2018	As at March 31, 2017
Current liabilities			
Financial liabilities			
Borrowings	16	23,013	29,069
Trade payables	19	14,551	12,247
Other financial liabilities	17	6,504	9,575
Provisions	18	3,093	2,752
Income tax liabilities (net)	8	4,577	3,317
Other current liabilities	20	5,344	4,864
Total current liabilities		57,082	61,824
Liabilities directly associated with assets classified as held for sale	13	**-**	**165**
Total liabilities		**65,236**	**71,128**
Total equity and liabilities		**89,563**	**88,959**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place: Bengaluru
Date: May 24, 2018

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V K Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place: Bengaluru
Date: May 24, 2018

V. Ramachandran
EVP & Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(All amounts in INR Millions except for per share data or as otherwise stated)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Revenue			
Revenue from operations	21	265,559	257,568
Other income	22	2,189	1,053
Total income		**267,748**	**258,621**
Expenses			
Cost of materials consumed	23	41,259	46,755
Purchase of stock-in-trade		2,288	1,974
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	(141)	568
Excise duty		179,653	169,393
Employee benefits expense	25	6,809	6,882
Finance costs	26	2,710	3,751
Depreciation, amortisation and impairment expense	3.1,3.2	1,923	1,886
Others:			
Advertisement and sales promotion		7,916	6,734
Other expenses	27	15,768	15,370
Total expenses		**258,185**	**253,313**
Profit before exceptional items and tax		**9,563**	**5,308**
Add/ (Less): Exceptional items (net)	28	(445)	(3,681)
Profit before tax		**9,118**	**1,627**
Income tax expense:			
Current tax	29	2,532	571
Deferred tax charge/ (credit)	7	171	99
MAT credit utilised/ (availed)		(104)	27
Total Income tax expense		**2,599**	**697**
Profit for the year		**6,519**	**930**
Other comprehensive income			
A. Items that will be reclassified to profit or loss			
(i) Exchange difference on translation of foreign operations		(71)	(29)
B. Items that will not be reclassified to profit or loss			
(i) Changes in fair value of FVOCI equity instruments		-	18
(ii) Remeasurements of post-employment benefit obligations		134	733
(iii) Income tax (charge) relating to these items		(46)	(254)
Other comprehensive income for the year, net of income tax		**17**	**468**
Total comprehensive income for the year		**6,536**	**1,398**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit is attributable to:			
Owners		6,338	1,001
Non-controlling interest		181	(71)
		6,519	**930**
Other comprehensive income is attributable to:			
Owners		16	468
Non-controlling interest		1	(0)
		17	**468**
Total comprehensive income is attributable to:			
Owners		6,354	1,469
Non controlling Interest		182	(71)
		6,536	**1,398**
Basic and diluted earnings per share (INR)	30	44.68	7.06

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

As per our report of even date

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

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

Pradip Kanakia
Partner
Membership number: 039985

V K Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place: Bengaluru
Date: May 24, 2018

Place: Bengaluru
Date: May 24, 2018

V. Ramachandran
EVP & Company Secretary

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in INR Millions except for per share data or as otherwise stated)

		Notes	For the year ended March 31, 2018		For the year ended March 31, 2017	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before tax			**9,118**		**1,627**
	Adjustments for					
	Depreciation, amortisation and impairment expense	3.1,3.2	1,923		1,886	
	Employee share-based payment expense	25	84		57	
	Impairment of Goodwill	28(f)	315		445	
	Derecognition of goodwill on account of sale of subsidiary	3.2	4		-	
	Write down in the value of plant and equipment	28(b)	-		217	
	Impairment loss recognized on Buildings and Plant and Equipment in relation to certain manufacturing units	28(i)	126		-	
	Reversal of provision against claims	28(d)	-		(28)	
	Allowance for doubtful receivable/advances/deposits, net arising from initial inquiry	28(e)	-		(12)	
	Provision on advances to associates	28(g)	-		37	
	Provision for doubtful debts / advances / deposits	27	1,517		75	
	Bad debts/ advances/ deposits written off	27	10		20	
	Exchange gain (net)		(14)		62	
	Finance costs	26	2,710		3,751	
	Liabilities, provisions or allowances no longer required written back	22	(515)		(514)	
	Gain on disposal of property, plant and equipment (net)	22	(1,108)		(337)	
	Profit on sale of investment property	22	(509)			
	Dividend income	22	-		(1)	
	Interest income	22	(42)		(197)	
	Gain on disposal of subsidiary	28(h)	(148)			
	Provision for impairment of capital work-in-progress	27	33		-	
				4,386		**5,461**
	Operating profit before working capital changes			**13,504**		**7,088**
	(Increase) / decrease in trade receivables		1,208		(6,560)	
	(Increase) / decrease in loans and other financials assets		(2,750)		788	
	(Increase) / decrease in non-financials assets		992		(294)	
	(Increase) / decrease in inventories		79		379	
	Increase / (decrease) in trade payables		2,512		2,169	
	Increase / (decrease) in other financial liabilities		(3,079)		3,289	
	Increase / (decrease) in other liabilities		481		790	
	Increase / (decrease) in provisions		435	**(122)**	819	**1,380**
	Cash generated from operations			**13,382**		**8,468**
	Income taxes paid			(4,131)		(2,000)
	Net cash inflow from operating activities			**9,251**		**6,468**

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	Notes	For the year ended March 31, 2018	For the year ended March 31, 2017
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,843)	(2,802)
Proceeds from sale of property, plant and equipment		1,545	528
Proceeds from sale of investment property		1,087	-
Proceeds from sale of non-current investment		213	111
Payment towards franchise rights (other intangible assets)		-	(308)
Interest received		42	197
Dividend received		-	1
Net cash inflow / (outflow) from investing activities		**1,044**	**(2,273)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		65,086	23,224
Repayment of borrowings		(72,201)	(24,209)
Repayment of deferred sales tax liability		(18)	(12)
Interest paid		(2,528)	(3,752)
Net cash inflow / (outflow) from financing activities		**(9,661)**	**(4,749)**
Cash and cash equivalents disclosed as held for sale		-	(1)
Net increase / (decrease) in cash and cash equivalents		**634**	**(555)**
Cash and cash equivalents as at the beginning of the year		785	1,287
Opening cash equivalents classified as held for sale		-	53
Cash and cash equivalents as at the end of the year		1,419	785
Total		**634**	**(555)**

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place: Bengaluru
Date: May 24, 2018

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director & Chief Executive Officer

V K Viswanathan
Director

Sanjeev Churiwala
Executive Director & Chief Financial Officer

Place: Bengaluru
Date: May 24, 2018

V. Ramachandran
EVP & Company Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2018

(All amounts in INR Millions except for per share data or as otherwise stated)

A. Equity (Refer Note 14)

Particulars	Amount
Equity share capital As at April 1, 2016	1,453
Changes in equity share capital	-
Equity share capital As at March 31, 2017	1,453
Changes in equity share capital	-
Equity share capital As at March 31, 2018	1,453

B. Other equity (Refer Note 15)

	Attributable to owners of United Spirits Limited															
	Reserves and surplus											Other reserves				
	Capital reserve	Capital redemption reserve	Securities premium account	Treasury shares	Central subsidy	Share based incentive reserve	Foreign currency translation reserve	Employee housing fund	Contin-gency reserve	General reserve	Retained Earnings	Total	FV OCI - Equity Instru-ments	Total other equity	Non-Con-trolling interest	Total
Balance as at April 1, 2016	5,675	699	45,682	(1,197)	48	-	215	1	110	10,408	(46,815)	14,826	68	14,894	56	14,950
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,001	1,001	-	1,001	(71)	930
Dividend distributed to NCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10)	(10)
Other Comprehensive income (OCI)	-	-	-	-	-	-	(29)	-	-	-	733	704	18	722	(0)	722
Tax impact of OCI items	-	-	-	-	-	-	-	-	-	-	(254)	(254)	-	(254)	-	(254)
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(29)**	**-**	**-**	**-**	**1,480**	**1,451**	**18**	**1,469**	**(81)**	**1,388**
Share based incentives	-	-	-	-	-	40	-	-	-	-	-	40	-	40	-	40
Transferred to retained earnings on sale of equity investments	-	-	-	-	-	-	-	-	-	-	86	86	(86)	-	-	-
Balance as at March 31, 2017	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**40**	**186**	**1**	**110**	**10,408**	**(45,248)**	**16,403**	**-**	**16,403**	**(25)**	**16,378**
Profit for the year	-	-	-	-	-	-	-	-	-	-	6,338	6,338	-	6,338	181	6,519
Other Comprehensive income (OCI)	-	-	-	-	-	-	(71)	-	-	-	133	62	-	62	1	63
Tax impact of OCI items	-	-	-	-	-	-	-	-	-	-	(46)	(46)	-	(46)	(0)	(46)
Derecognition of NCI portion [Refer note 52(c)]	-	-	-	-	-	-	-	-	-	-	21	21	-	21	(21)	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(71)**	**-**	**-**	**-**	**6,446**	**6,375**	**-**	**6,375**	**161**	**6,536**
Share based incentives	-	-	-	-	-	20	-	-	-	-	-	20	-	20	-	20
Derecognition of asset	-	-	-	-	-	-	-	(1)	-	-	-	(1)	-	(1)	-	(1)
Payments during the year towards share based incentives	-	-	-	-	-	(60)	-	-	-	-	-	(60)	-	(60)	-	(60)
Balance as at March 31, 2018	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**-**	**115**	**-**	**110**	**10,408**	**(38,802)**	**22,738**	**-**	**22,738**	**136**	**22,874**

The above consolidated statement of changes in equity should be read in conjunction with accompanying notes.

As per our report of even date

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

Pradip Kanakia
Partner
Membership number: 039985

Place: Bengaluru
Date: May 24, 2018

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

V K Viswanathan
Director

Place: Bengaluru
Date: May 24, 2018

Anand Kripalu
Managing Director & Chief Executive Officer

Sanjeev Churiwala
Executive Director & Chief Financial Officer

V. Ramachandran
EVP & Company secretary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group overview

United Spirits Limited ("USL or the Company") which is headquartered in Bengaluru, Karnataka, India, together with its subsidiaries, its associate and its controlled trust (collectively "the Group") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing and through strategic franchising of some of its brands. In addition, the Group holds the perpetual right to the Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL).

These consolidated financial statements are approved for issue by the Company's Board of Directors on May 24, 2018.

Note 1 - Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation of consolidated financial statements

(i) *Compliance with Ind AS*

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the 'Act') [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

Effective April 1, 2016, the Group has adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101 First time adoption of Indian Accounting Standards, with April 1, 2015 as the transition date. The transition was carried out from the financial statements prepared as per accounting standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(ii) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- defined benefit plans- plan assets is measured at fair value;
- share-based payment obligations measured at fair value; and
- assets held for sale – measured at lower of cost and fair value less costs to sell

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013. Based on the nature of products and the time between the acquisition of asset for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current / non- current classification of assets and liabilities.

(iii) *Amended standards adopted by the group*

The amendments to Ind AS 7 require disclosure of changes in liabilities arising from financing activities, see Note 16.

1.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group except for common control transactions.

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.2 Principles of consolidation and equity accounting *(continued)*

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet, respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognized at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also estimated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 1.4 below.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized within equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

1.3 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The consolidated financial statements are presented in Indian Rupee (INR), which is USL's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.3 Foreign currency translation *(continued)*

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in Statement of profit and loss.

Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the Statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated Statement of profit and loss on a net basis within other income/ other expense.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

(iii) *Translation of Group Companies*

The results and financial position of foreign operations (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income as 'Foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.4 Property, plant and equipment, investment properties and intangible assets

Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any. Except that adoption of Ind AS, the Group had measured Property, plant and equipment at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to consolidated Statement of profit and loss during the reporting period in which they are incurred.

The cost of property, plant and equipment which are not ready for their intended use before such date, are disclosed as capital work-in-progress.

1.4 Property, plant and equipment, investment properties and intangible assets *(continued)*

Depreciation methods, estimated useful lives and residual value

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

Asset category	Useful life (in years)	Basis of determination of useful lives
Buildings		
- Roads	5	Assessed to be in line with Schedule II of the Act
- Buildings	30 - 60	Assessed to be in line with Schedule II of the Act
Plant and equipment		
- Wooden casks	7.5 -15	Management estimate
- Others	7.5 – 15	Assessed to be in line with Schedule II of the Act and management estimate
Furniture and Fittings	10	Assessed to be in line with Schedule II of the Act
Office Equipment		
- Computers	3	Assessed to be in line with Schedule II of the Act
- Servers	3	Management estimate
- Others	5	Assessed to be in line with Schedule II of the Act
Vehicles	5	Management estimate

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

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

Property, plant and equipment acquired in a business combination are depreciated as per the above policy over the remaining useful life at the date of acquisition.

Assets taken on finance lease are depreciated over their estimated useful lives as stated above or the lease term, whichever is shorter, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in consolidated Statement of profit and loss within Other income/ Other expenses.

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. Investment properties generally have a useful life of 40 years. The useful life has been determined based on technical evaluation performed by the management's expert.

Intangible assets

On adoption of Ind AS, the Company has measured Intangible assets at deemed cost, using the net carrying value as per previous GAAP as at March 31, 2015.

Brands and Licenses

Licenses acquired are carried at cost less accumulated amortisation and impairment losses, if any. Brands are regarded as having indefinite useful lives and are not amortised, but are assessed for impairment at every reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.4 Property, plant and equipment, investment properties and intangible assets *(continued)*

Acquired computer software

Computer software acquired are carried at cost less accumulated amortisation and impairment losses, if any.

Computer software

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of customised computer software applications are recognised as intangible assets when the following criteria are met:

a) it is technically feasible to complete the software so that it will be available for use.
b) there is an ability to use or sell the software.
c) it can be demonstrated how the software will generate probable future economic benefits.
d) adequate technical, financial and other resources to complete the development and to use or sell software are available, and
e) the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the customised computer software applications include employee costs and other directly attributable costs and are amortised from the point at which the software asset is available for use.

Franchisee right

The Group, through one of its wholly owned subsidiary, owns perpetual right to the Bangalore Franchisee of Board of Control for Cricket in Indian Premier League (BCCI – IPL). Franchisee right acquired are carried at cost less accumulated amortisation and impairment losses, if any.

Research and development costs

Research costs are expensed as incurred. Product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, further economic benefits are probable, the Group has an intention and ability to complete and use or sell the product and the costs can be measured reliably.

Amortisation methods and periods

The Group amortises intangible assets with a finite useful life using the straight-line method over their estimated useful life as follows:

- Licenses – over the license period
- Computer software – 5 years
- Franchisee rights – 50 years*

* Refer Note 57

Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the operating segments.

1.5 Impairment of assets

Goodwill and Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. All other lease arrangements are classified as operating leases.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

As a lessee

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of profit and loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

1.7 Financial Instruments

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.7 Financial Instruments *(continued)*

Financial assets - Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Financial assets, other than equity instruments, are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both (a) the entity's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset.

Debt instruments Measured at amortised cost:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on sale or transfer a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. Amortised cost is calculated using the effective interest rate ("EIR") method by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Measured at fair value through other comprehensive income (FVOCI):

A financial asset is measured at FVOCI, if it is held with an objective to collect contractual cash flows and selling such financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding. It is subsequently measured at fair value with fair value movements recognised in the Other Comprehensive Income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the Statement of profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Measured at fair value through profit and loss (FVPL):

Financial assets that do not meet the criteria for classification as amortised cost or as FVOCI are measured at fair value through profit or loss. Interest income from these financial assets is included in other income.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 31 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The losses arising from impairment are recognised in the Statement of profit and loss.

1.7 Financial Instruments *(continued)*

Derecognition of financial assets

A financial asset is derecognised only when:

- The Group has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Group has not retained control of the financial asset. Where the Group retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Income recognition

Dividend income on investments is recognised and accounted for when the right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the group, and the amount of the dividend can be measured reliably.

Interest income and guarantee commission is accounted for on a time-proportion basis using amortised costconsidering the amounts invested and the rate of interest.

1.8 Inventories

Inventories which comprise of raw materials, work-in-progress, finished goods, stock-in-trade, packing materials and stores and spares are carried at the lower of cost or net realisable value. Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In determining the cost, weighted average cost method is used. In case of manufactured finished goods and work-in-progress, fixed production overheads are allocated on the basis of normal capacity of production facilities. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The comparison of cost and net realisable value is made on an item-by-item basis. Adequate allowance is made for obsolete and slow moving items.

1.9 Trade receivables

Trade receivables are initially recognised at their transaction price (fair value) and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.10 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and balances with banks that are readily convertible to known amounts of cash, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duties and net of returns, trade allowances, rebates, value added taxes, goods and service tax (GST)and such amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a. **Sale of products**

Revenue is recognised on dispatch of goods or on delivery to customer, in accordance with the terms of sale.

b. **Revenue from manufacture and sale of products from tie-up manufacturing arrangements**

The Group has entered into arrangements with tie-up manufacturers (TMU), where-in TMUs manufacture and sell on behalf of the Group. Accordingly, the transactions of the tie-up units under such arrangements have been recorded as gross revenue, excise duty and expenses as they were transactions of the Group.

c. **Income from brand franchise arrangements**

Income from brand franchise is recognised in terms of the respective contracts upon sale of the products by the franchisees. Revenue in respect of fixed value brand franchise arrangements is recognized proportionately in each period. Income from brand franchise is net of service tax/goods and service tax

d. **Revenue from various contractual arrangements for central rights income, prize money, sponsorship, digital income and transfer fees arising from BCCI-IPL Franchisee**

The Group recognises the revenue from various contracts when the company performs the obligations under the contract.

e. **Revenue from sale of tickets and branding income arising from BCCI-IPL Franchisee**

Revenue from sale of tickets and branding income is recognised upon fulfilment of obligations under the contract by the company.

1.12 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and performance incentives that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Post-employment obligation

The Group's defined benefit plans comprise of gratuity, pension and provident fund (administered by trusts set up by the Group, where the Group's obligation is to provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Group).

Pension and gratuity obligations

The liability or asset recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the Statement of profit and loss.

1.12 Employee benefits *(continued)*

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the Statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Provident fund

The Group operates a defined benefit provident fund plan for its certain category of employees. The minimum statutory rate at which the annual rate of interest is payable to the beneficiaries of such plan is administered by the Central Government. The Group has an obligation to make good the shortfall in the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Group also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation.

Defined contribution plans

These are plans in which the Group pays pre-defined amounts to publicly administered funds as per local regulations and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to the employees' provident fund with the government, superannuation fund and certain state plans like Employees' State Insurance and Employees' Pension Scheme. The Group's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

(c) Other long-term employee benefit obligations

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields of government bonds at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in consolidated Statement of profit and loss.

The obligations are presented as current / non-current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(d) Share-based payments

Share based compensated benefits are provided to certain grades of employees in the form of United Spirits Limited-Stock Appreciation Rights Plan, a cash settled scheme, and the Diageo Incentive Plan, an equity settled scheme.

Stock appreciation rights

Liabilities for the Group's share appreciation rights are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as current/ non-current provisions in the consolidated balance sheet.

Diageo incentive plan

The fair value of equity settled share options based on shares of Diageo plc. (the ultimate holding company) is initially measured at grant date and is charged to the Statement of profit and loss over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, and the credit is included in equity. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market and service conditions. It recognizes the impact of revision to original estimate, if any, in profit or loss, with a corresponding adjustment to equity. Once the costs towards share option plan are recharged by Diageo Plc, the same is accounted for as a reduction from equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.13 Income tax

The income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses, if any.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in countries where Group has taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, branches and associates and interest in joint arrangements where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in Statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax on Minimum Alternative Tax ('MAT') credit is recognised as an asset only when and to the extent there is reasonably certain that the Group will pay normal income-tax during the specified period. The Group reviews the same at each balance sheet date and writes down the carrying amount of deferred tax relating to MAT credit entitlement to the extent there is no longer reasonable certainty that the Group will pay normal income-tax during the specified period.

1.14 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year, excluding treasury shares. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive.

1.15 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

1.15 Provisions and contingencies *(continued)*

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A disclosure for contingent liabilities is made where there is a possible obligation or a present obligation that may probably not require an outflow of resources or an obligation for which the future outcome cannot be ascertained with reasonable certainty. When there is a possible or a present obligation where the likelihood of outflow of resources is remote, no provision or disclosure is made.

1.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are derecognized from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

1.18 Exceptional items

When an item of income or expense within Statement of profit and loss from ordinary activity is of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group for the year, the nature and amount of such items is disclosed as exceptional items.

1.19 Segment reporting

The Group is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing and through strategic franchising of some of its brands. The Executive Committee of the Company (being the Chief Operating Decision Maker) assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment (viz. Beverage alcohol).

1.20 Equity

Own Shares – Represents shares of the Company that are held in treasury by USL benefit trust (Controlled by the Group)

Dividends- Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1.21 Assets (or disposal groups) held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale under current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable and is expected to be sold within one year from the balance sheet date. They are measured at the lower of their carrying amount and fair value less costs to sell,except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet under the heading Current assets. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Statement of profit and loss.

1.22 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with Ind AS 37 and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

1.23 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

1.24 Common control transactions

Business combinations involving entities that are controlled by the Group are accounted for using the pooling of interests method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. Adjustments are only made to harmonise accounting policies.
- The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.
- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.

1.24 Common control transactions *(continued)*

- The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.
- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

1.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are recognised as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

1.26 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III to the Companies Act, 2013, unless otherwise stated. The sign '0' in these consolidated Ind AS financial statements indicates that the amounts involved are below INR five lacs and the sign '-' indicates that amounts are nil.

1.27 Recent accounting pronouncements

1. **Standards issued but not yet effective**

a) Ind AS 115- Revenue from Contract with Customers: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors.
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.
The Company is evaluating the requirements of the standard and the impact on the financial statements.

b) Ind AS 12- Income Taxes: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has amended Ind AS 12, Income taxes which clarifies the accounting for deferred taxes where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax.

The effective date for adoption of this amendment is on or after April 1, 2018. The Company is evaluating the requirements of the standard and the impact on the financial statements.

c) Appendix B to Ind AS 21, Foreign currency transactions and advance consideration: On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The effective date for adoption of this amendment is on or after April 1, 2018. The Company is evaluating the requirements of the standard and the impact on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

2. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – Note 38
- Estimation of provisions and contingent liabilities – Notes 18 and 49
- Impairment of goodwill– Note 52(b)
- Useful life of Franchisee rights – Note 57
- Deferred Tax – Note 7

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

3.1 Property, Plant and Equipment

	Owned						Leased [Refer Note 39(a)]			Total
	Freehold Land	Buildings [Notes (a) and (b) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Land	Office Equipment	Vehicles	
Year ended March 31, 2017										
Gross carrying amount										
Opening	2,651	3,706	8,020	306	158	20	121	134	11	**15,127**
Translation adjustments	-	25	(20)	-	3	-	-	-	-	**8**
Additions	-	969	1,985	99	90	4	10	107	4	**3,268**
Assets classified as held for sale (Refer Note 13)	(35)	(202)	(163)	(4)	(2)	-	-	-	-	**(406)**
Disposals [Note (c) below]	(21)	(84)	(352)	(15)	(16)	(6)	-	-	-	**(494)**
Closing gross carrying amount	**2,595**	**4,414**	**9,470**	**386**	**233**	**18**	**131**	**241**	**15**	**17,503**
Accumulated depreciation and impairment										
Opening	-	119	1,066	54	63	13	-	42	3	**1,361**
Translation adjustments	-	9	26	-	-	-	-	-	-	**35**
Depreciation charge for the year	-	207	1,255	69	66	3	44	72	3	**1,720**
Assets classified as held for sale (Refer Note 13)	-	(8)	(66)	(2)	(2)	-	-	-	-	**(78)**
Disposals	-	(8)	(57)	(3)	(13)	(6)	-	-	-	**(87)**
Closing accumulated depreciation and impairment	**-**	**319**	**2,224**	**118**	**114**	**10**	**44**	**114**	**6**	**2,949**
Net carrying amount as at March 31, 2017	**2,595**	**4,095**	**7,246**	**268**	**119**	**8**	**87**	**127**	**9**	**14,554**
Year ended March 31, 2018										
Gross carrying amount										
Opening	2,595	4,414	9,470	386	233	18	131	241	15	**17,503**
Additions	-	363	2,088	22	36	2	-	3	-	**2,514**
Assets classified as held for sale (Refer Note 13)	(637)	(681)	(1)	(131)	(10)	-	-	-	-	**(1,460)**
Disposals	-	(94)	(24)	(1)	-	-	-	-	-	**(119)**
Closing gross carrying amount	**1,958**	**4,002**	**11,533**	**276**	**259**	**20**	**131**	**244**	**15**	**18,438**
Accumulated depreciation and impairment										
Opening	-	319	2,224	118	114	10	44	114	6	**2,949**
Depreciation charge for the year	-	226	1,388	61	62	2	1	61	4	**1,805**
Impairment [Note (d) below]	-	22	104	-	-	-	-	-	-	**126**
Assets classified as held for sale (Refer Note 13)	-	(42)	-	(73)	(6)	-	-	-	-	**(121)**
Disposals	-	(12)	(23)	-	-	-	-	-	-	(35)
Closing accumulated depreciation and impairment	**-**	**513**	**3,693**	**106**	**170**	**12**	**45**	**175**	**10**	**4,724**
Net carrying amount as at March 31, 2018	**1,958**	**3,489**	**7,840**	**170**	**89**	**8**	**86**	**69**	**5**	**13,714**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

3.1 Property, Plant and Equipment *(Continued)*

Notes:

(a) Buildings include an amount of INR 371 (2017: INR 357) in respect of which title deeds are yet to be registered in the name of the Company.

(b) Cost of buildings includes the following payments made for the purpose of acquiring the right of occupation:
   i) INR NIL(2017: 660) equity shares (unquoted) of INR 100/- each fully paid in Shree Madhu Industrial Estate Limited INR NIL (2017: INR 0)
   ii) INR NIL(2017: 199) 6 % Debentures (unquoted) of INR 1,000/- each fully paid in Shree Madhu Industrial Estate Limited INR NIL (2017: INR 0)
   iii) Deposit with Shree Madhu Industrial Estate Limited INR NIL (2017 :INR 0)
   iv) Fully paid shares INR 0 (2017 : INR 0) held in a Co-operative Housing Society.

(c) Disposals include write down of INR NIL (2017: INR 217) in the value of certain plant and equipment disclosed as exceptional items (Refer Note 28)

(d) Represents impairment loss recognised on Buildings and Plant and Equipment in respect of certain manufacturing units disclosed as exceptional items (Refer Note 28)

Property, plant and equipment pledged as security

Refer to Note 33 for information on property, plant and equipment pledged as security by the Group.

3.2 Intangible assets

	Other Intangibles					Goodwill
	Brands	Licenses	Computer Software	Franchise Right	Total of other intangible assets	
Year ended March 31, 2017						
Gross carrying amount						
Opening	130	6	-	3,997	**4,133**	**1,253**
Translation adjustments	(16)	-	-	-	**(16)**	**-**
Additions	-	32	-	-	**32**	**-**
Additions- Internal development	**-**	**-**	**92**	**-**	**92**	**-**
Closing gross carrying amount	114	38	92	3,997	4,241	**1,253**
Accumulated amortisation and impairment						
Opening	63	2	-	93	158	**128**
Impairment charge for the year	45	-	-	-	45	**-**
Translation adjustments	(15)	-	-	-	(15)	**-**
Amortisation	21	4	3	93	121	**-**
Impairment allowance	-	-	-	-	-	**445**
Closing accumulated amortisation and impairment	**114**	**6**	**3**	**186**	**309**	**573**
Net carrying amount as at March 31, 2017	**-**	**32**	**89**	**3,811**	**3,932**	**680**
Year ended March 31, 2018						
Gross carrying amount						
Opening	114	38	92	3,997	**4,241**	**1,253**
Additions	-	-	25	-	**25**	**-**
Closing gross carrying amount	114	38	117	3,997	4,266	**1,253**
Accumulated amortisation and impairment						
Opening	114	6	3	186	309	**573**
Impairment charge for the year	-	-	-	-	-	**315**
Derecognition of goodwill on account of sale of subsidiary	-	-	-	-	-	**4**
Amortisation	-	6	19	94	119	-
Closing accumulated amortisation and impairment	**114**	**12**	**22**	**280**	**428**	**892**
Net carrying amount as at March 31, 2018	**-**	**26**	**95**	**3,717**	**3,838**	**361**

Refer note 52(b) for subsidiary wise details of movement in Goodwill.

3.3 Investment Properties

(All amounts in INR Millions except for per share data or as otherwise stated)

	As at March 31, 2018	As at March 31, 2017
Gross carrying amount		
Opening gross carrying amount/ Deemed cost	-	672
Translation adjustment	-	(94)
Classified as held for sale [Refer Note 13]	-	(578)
Additions	-	-
Closing gross carrying amount	**-**	**-**
Accumulated depreciation		-
Opening accumulated depreciation	-	-
Depreciation charge	-	-
Closing accumulated depreciation	-	-
Net carrying amount	**-**	**-**

Note:
There are no direct operating expenses/depreciation charge from the investment properties recognised in the consolidated statement of profit and loss.

4. Investments

Current		
Investments in mutual funds carried at FVPL		
Quoted		
SBI - Infrastructure	1	1
Total current investments	1	1

	As at March 31, 2018	As at March 31, 2017
5. Loans		
Non-current		
Unsecured		
Loan to UBHL (refer Note 41)		
Considered doubtful	13,374	13,681
Loans to related parties [Refer Note 36(c)]		
Considered doubtful	314	314
Security deposits, Considered good	157	205
	13,845	14,200
Less: Allowance for doubtful balances	(13,688)	(13,995)
Total non-current loans	**157**	**205**
Current		
Loans to employees		
Considered good	52	39
Security deposits		
Considered good	247	188
Considered doubtful	62	73
	361	300
Less: Allowance for doubtful balances	(62)	(73)
Total current loans	**299**	**227**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	As at March 31, 2018	As at March 31, 2017
6. Other financial assets		
Non-current		
Balances with banks [refer Notes (a), (b) and (c) below]	743	729
Government grant	334	186
Receivable from Tie-up manufacturing units		
Considered good	-	377
Considered doubtful	228	-
	1,305	**1,292**
Less: Allowance for doubtful balances	(228)	-
Total other non-current financial assets	**1,077**	**1,292**

Notes :

(a) Includes deposit of INR 459 (2017 : INR 459) with a bank in suspense account (refer Note 44)

(b) Includes fixed deposit of INR 282 (2017 : INR 268) with a bank kept under escrow pending resolution of various taxation matters.

(c) Margin money against bank guarantees INR 2 (2017 : INR 2)

	As at March 31, 2018	As at March 31, 2017
Current		
Receivable from Tie-up manufacturing units		
Considered good	1,050	504
Considered doubtful	-	415
Government grant	1,675	154
Receivable towards sale of Property, plant and equipment		
Considered good	-	72
Considered doubtful	693	621
Receivable from related parties [Refer note 36(c)]		
Considered good	7	104
Other receivables		
Considered good	66	140
Considered doubtful	161	257
	3,652	**2,267**
Less: Allowance for doubtful balance	(854)	(1,293)
Total other current financial assets	**2,798**	**974**

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
7.	**Deferred tax assets (net)**		
	MAT credit receivable	104	-
	Deferred tax assets		
	Allowance for doubtful receivable balances	1,100	1,023
	Provisions allowed on payment basis	1,033	948
	Carried forward tax losses and unabsorbed depreciation	1,352	689
	Others	68	70
		3,657	**2,730**
	Deferred tax liabilities		
	Depreciation and amortisation	1,943	949
		1,943	949
	Total - Deferred tax assets (net)	**1,714**	**1,781**

Movement in deferred tax assets	Allowance for doubtful receivable balances	Provisions allowed on payment basis	Carried forward tax losses and unabsorbed depreciation	Depreciation and amortisation	Others	Total
At April 1, 2016	**980**	**1,108**	**586**	**(819)**	**18**	**1,873**
(Charged) / Credited:						
- to profit and loss	43	(160)	103	(130)	52	(92)
At March 31, 2017	**1,023**	**948**	**689**	**(949)**	**70**	**1,781**
(Charged) / Credited:						
- to profit and loss	77	85	663	(994)	(2)	(171)
At March 31, 2018	**1,100**	**1,033**	**1,352**	**(1,943)**	**68**	**1,610**

Note:

The Group has recognised deferred tax assets on carried forward tax losses and unabsorbed depreciation relating to Royal Challengers Sports Private Limited (RCSPL) and Pioneer Distilleries Limited (PDL). While PDL has partially utilised brought forward tax losses and unabsorbed depreciation against taxable profit earned in the current year, Management estimates that RCSPL will also commence earning taxable profit from the next financial year. These subsidiaries are expected to fully utilise carried forward tax losses and unabsorbed depreciation against the future taxable income over the next three to five years.

		As at March 31, 2018	As at March 31, 2018	As at March 31, 2017	As at March 31, 2017
8.	**Income tax balances**				
	Income tax liabilities (net)				
	Opening balance		3,317		3,479
	Add: Current tax payable for the year	-		-	
	Recognised in Statement of profit and loss	2,532		-	
	Recognised in Other Comprehensive Income	46		-	
			2,578		-
	Add/(less): Reclassification to advance tax (net)		80		(149)
	Less : Taxes paid		(1,398)		(13)
	Closing balance		4,577		**3,317**
	Income tax assets (net)				
	Opening balance		3,256		2,243
	Add : Taxes paid		2,733		1,987
	Less: Current tax payable for the year	-		-	
	Recognised in Statement of profit and loss	-		571	
	Recognised in Other Comprehensive Income	-		254	
					(825)
	Add/(Less): Reclassification from current tax liabilities		80		(149)
	Closing balance		**6,069**		**3,256**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
9.	**Other assets**		
	Non-current		
	Capital advances	369	289
	Balances with government authorities		
	Considered good	1,714	1,122
	Considered doubtful	13	1,892
	Net surplus in gratuity plan [Refer Note 38(b)]	497	473
	Pre-paid expenses	1,673	1,891
		4,266	**5,667**
	Less: Allowance for doubtful balances	(13)	(1,892)
	Total other non-current assets	**4,253**	**3,775**
	Current		
	Balances with government authorities	1,873	3,201
	Advances to suppliers		
	Considered good	1,358	1,138
	Considered doubtful	768	839
	Pre-paid expenses	747	1,038
		4,746	**6,216**
	Less: Allowance for doubtful balances	(768)	(848)
	Total other current assets	**3,978**	**5,368**
10.	**Inventories**		
	(Valued at lower of cost and net realisable value)		
	Raw materials	1,260	1,989
	[including materials in transit INR 113 (2017: INR 279)]		
	Work-in-progress*	8,902	9,313
	Finished goods	6,532	5,501
	[including goods in transit INR 981 (2017: INR 283)]		
	Stock-in-trade	505	510
	[including goods in transit INR 106 (2017: INR 202)]		
	Packing materials	1,879	1,836
	[including materials in transit INR 65 (2017: INR 59)]		
	Stores and spares	119	127
	Total inventories	**19,197**	**19,276**

* This includes stocks of maturing spirits held by an USL's branch outside India (in custody of an overseas vendor) amounting to INR 3,506 (2017: INR 4,024)

As per terms of an agreement entered in earlier year with an overseas vendor, the Company had a contractual obligation to purchase certain minimum specified quantities of fresh fills. However, the Company was unable to meet the purchase commitment and consequently, the Company is required to compensate the overseas vendor for shortfall relating to the purchase commitment up to June 30, 2017 amounting to INR 244. Further, the Company has accrued dues towards storage, disgorgement, blending, handling and loading charges amounting to INR 281 under the aforesaid agreement. The Company has sought regulatory approval to discharge such liability which is awaited. The Company is carrying an aggregate amount of liability of INR 525 towards the above mentioned obligations, which are presented under Trade Payables. The overseas vendor has written various letters to the Company, intimating that it has exercised its lien over the Company's stock held at their warehouses corresponding to the amounts owed by the Company. The Company has contested the said claim, and called upon the overseas vendor to recall the said letter.

Amounts recognised in profit and loss

Allowance for obsolete inventories for the year amounted to INR 73 (2017: INR 360). The net amount is recognised as an expense during the year and included in 'change in inventories of finished goods, work-in-progress and stock-in-trade' in statement of profit and loss. Further an allowance of INR 36 (2017: INR 168) has been recognised as an expense as exceptional item.

For details of Inventories pledged as security refer Note 33.

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
11.	**Trade receivables**		
	Unsecured		
	Considered good	27,106	29,526
	Considered doubtful	2,400	1,356
		29,506	30,882
	Less: Allowance for doubtful balances (Refer Note 31)	(2,400)	(1,356)
		27,106	29,526
	Receivables from related parties [Refer note 36(c)]		
	Considered good	6	8
	Total trade receivables	**27,112**	**29,534**
12.1	**Cash and cash equivalents**		
	Balances with banks		
	In current accounts	1,317	393
	Cheques on hand	102	392
	Total cash and cash equivalents	**1,419**	**785**
12.2	**Bank balances other than cash and cash equivalents**		
	In unpaid dividend accounts	9	12
	In unpaid public deposit accounts [Refer Note (a) below]	16	18
	Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	1,116	57
	Total bank balances other than cash and cash equivalents	**1,141**	**87**

Notes:

(a) includes INR 9 (2017: INR 11) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years wherein duly discharged deposit receipts were not received from deposit holders.

b) includes INR 54 (2017: INR 54) under lien.

13.	**Assets classified as held for sale**		
	Disposal Group (Refer Note 47)	-	333
	Investment property(Refer Note 3.3)	-	578
	Property, plant and equipment (Refer Note 3.1)	1,417	328
	Total assets classified as held for sale	**1,417**	**1,239**
	Liabilities directly associated with assets classified as held for sale		
	Disposal Group (refer Note 47)	-	165
	Total liabilities directly associated with assets classified as held for sale	-	165

Description of the facts and circumstances which led to classification as held for sale

The Group has identified certain properties, vehicles etc. as non-core to its operations. These planned assets are readily available for sale and an active programme to locate the buyer and complete the sale has been initiated by the Management. Refer Note 47 for disposal group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	As at March 31, 2018	As at March 31, 2017
14. Equity Share capital		
Authorised		
548,000,000 (2017: 548,000,000) Equity Shares of INR 10/- each (Refer note (i) below)	5,480	5,480
159,200,000 (2017: 159,200,000)Preference Shares of INR 10/- each (Refer note (i) below)	1,592	1,592
1,200,000 (2017: 1,200,000) 7% Non Cumulative Redeemable Preference Shares of INR 100/- each (Refer note (i) below)	120	120
	7,192	**7,192**
Issued, subscribed and paid-up		
145,327,743 (2017: 145,327,743) Equity Shares of INR 10/- each fully paid up	1,453	1,453
	1,453	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2018	No. of Shares	As at March 31, 2017
Balance at the beginning of the year	145,327,743	1,453	145,327,743	1,453
Add: Equity shares issued during the year	-	-	-	-
Balance at the end of the year	**145,327,743**	**1,453**	**145,327,743**	**1,453**

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of INR 10 per share. Each holder of the equity shares is entitled to one vote per share. The dividend, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by the holding company are as below:

	No. of Shares	As at March 31, 2018	No. of Shares	As at March 31, 2017
Relay B V (wholly owned subsidiary of Diageo Plc) [Refer note (j) below]	79,612,346	796	79,612,346	796
	79,612,346	**796**	**79,612,346**	**796**

(d) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

(e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Relay B V (wholly owned subsidiary of Diageo Plc) [Refer note (j) below]	79,612,346	54.78%	79,612,346	54.78%

(f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

(g) There are no bonus shares issued, bought back during the period of five years immediately preceding the reporting date.

(All amounts in INR Millions except for per share data or as otherwise stated)

14. Equity Share capital *(continued)*

(h) Details of shares in the Company held by Company, subsidiaries or associates

	As at March 31, 2018		As at March 31, 2017	
	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit trust [refer Note (k) below]	3,459,090	2.38%	3,459,090	2.38%

(i) The Board of the Company at their meeting held on April 13, 2018 has considered and approved the following:

(A) Sub-division of 548,000,000 equity share of face value of INR 10/- per equity share into 2,740,000,000 of equity shares of face value of INR 2/- per equity share subject to approval by the shareholders of the Company by the way of special resolution.

(B) Sub-division of 1,200,000 7% non-cumulative redeemable preference shares of INR 100/- each into 12,000,000 number of preference shares of INR 10/- each and this class of preference shares shall merge with another existing class of 159,200,000 preference shares of the face value of INR 10/-each subject to approval by the shareholders of the Company by way of special resolution.

(j) On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo group setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares in the Company to Relay B V (included above), pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of special leave petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Relay B V. Such shares are included in arriving at Relay BV's shareholding in the Company.

(k) Investment as a sole beneficiary in USL benefit trust was made as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, for amalgamating various companies with United Spirits Limited. The trust has been established for the exclusive benefit of the Company and holds 3,459,090 equity shares of the Company. As per the terms of the aforesaid scheme of arrangement, the Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. By virtue of the definition of control, the Group has consolidated this trust. Also refer Notes 33 and 44 for assets pledged.

15 Reserves and surplus

	As at March 31, 2018	As at March 31, 2017
Capital reserve	5,675	5,675
Capital redemption reserve	699	699
Securities premium account	45,682	45,682
Treasury shares	(1,197)	(1,197)
Central subsidy	48	48
Share based incentive reserve	-	40
Foreign currency translation reserve	115	186
Employee housing fund	-	1
Contingency reserve	110	110
General reserve	10,408	10,408
Retained earnings	(38,802)	(45,248)
Total reserves and surplus	**22,738**	**16,403**

Nature and purpose of reserves:

a) **Capital reserve:** Pursuant to Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively.

b) **Capital redemption reserve:** Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years in the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

c) **Securities premium account:** Securities premium reserve is credited when shares are issued at premium.The reserve is utilised in accordance with the provisions of the Act.

d) **Treasury shares:** Pursuant to the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited, USL Benefit Trust (of which Company is the sole beneficiary) held 3,459,090 shares in the Company (own shares). As per the term of the aforesaid scheme of arrangement, the Company has carried the aggregate value of such shares as per the books of the concerned transferor companies as investment. For the purpose of consolidated financial statements such investment value has been shown as treasury shares.

e) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the Honorable High Courts of Karnataka and Bombay.

f) **Share based incentive reserve:** The share-based incentive reserve is used to recognise the grant date fair value of equity settled share-based payments and credited to this reserve as part of other equity over vesting period. Once the cost towards the plan is recharged by Diageo Plc, the same is reduced from other equity.

g) **Foreign currency translation reserve:** Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in a seperate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed off.

h) **Employee housing fund:** Housing fund formed for the construction of houses for the benefit of employees under "Mc Dowell Nepal Limited's" executive staff and workers Kalyankari Samiti.

i) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.

j) **General reserve:** The general reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.

k) **Retained earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

(All amounts in INR Millions except for per share data or as otherwise stated)

16. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2018	As at March 31, 2017
Non-current					
Secured					
Finance lease obligations [Refer Note 39(a) and Note (a) below]	2017 - 2022	Monthly installments	8%	70	135
Unsecured					
Term loans from banks [Refer Note (c) below]	June 29, 2018	Single repayment at the end of the term of each loan	T Bill + 100bps (presently 7.35%)	3,522	3,500
	Paid on January 5, 2018	Single repayment at the end of the term of each loan	MCLR + 20bps (Effective rate 7.9%)	-	3,500
	March 3, 2020 (Prepaid on December 28, 2017)	Single repayment at the end of the term of each loan	MCLR + 20bps (Effective rate 7.9%)	-	5,000
Term loans from others	Not Stipulated	Terms of repayment not stipulated	8%	201	195
Debentures					
7,500 (2017: NIL) 7.45% Non-convertible Debentures of face value of INR 1,000,000 each [Refer note (c) below]	December 28, 2020	Single repayment at the end of term and interest payable on December 28th of each year	7.45%	7,641	-
Deferred sales tax	2024-25	Repayable over a period of fourteen years starting from the end of the tenth year i.e. 2010-11	Interest free	128	146
				11,562	**12,476**
Less: Current maturities on non-current borrowings (Refer Note 17)					
Finance lease obligation				43	66
Term loan from banks				3,500	3,500
Term loan from others				92	86
Deferred Sales tax liability				27	18
Less: Interest accrued but not due (Refer Note 17)				272	109
Total non-current borrowings				**7,628**	**8,697**
Current					
Secured					
Loans repayable on demand					
Working capital loans from banks [Refer Note (b) below]	Payable on demand	Payable on demand	7.9%	-	3,099
Term loans from banks [Refer Note (b) below]	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9%	-	4,750
Unsecured					
Working capital loans from banks [Refer Note (c) below]	Payable on demand	Payable on demand	7.25% - 9.25%	9,660	597
Term loans from Bank	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9 - 8%	-	4,750
	April 2017 - May 2017	Single repayment at the end of the term of each loan	8.25%	-	200
Term loans from others	April 2017 - May 2017	Single repayment at the end of the term of each loan	7.9 - 7.95%	-	3,500
Commercial papers issued to banks and others	April 2018 - June 2018 (2017: May 2017-Nov 2017)	Single repayment at the end of the term of each commercial paper	6.57% - 7.75% (Effective rate 6.63% - 7.79%)	13,373	12,173
Total				**23,033**	**29,069**
Less: Interest accrued but not due (Refer Note 17)				20	-
Total current borrowings				**23,013**	**29,069**

Notes:

Secured borrowings and assets pledged as security

a) Finance lease obligations are secured by assets underlying the finance lease [Refer Note 39(a)]

b) Working capital loans and certain short term loans outstanding as at March 31, 2017 were secured by hypothecation of inventories (excluding maturing stock held by third party in the UK) and book debts. The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 33.

c) Includes interest accrued but not due as at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

16 Borrowings *(Continued)*

Net debt reconciliation

Particulars	As at March 31,2018
Non-current borrowings	7,628
Current borrowings	23,013
Other current liabilities	
Current maturities of long-term borrowings	3,662
Interest accrued but not due	292
Net debt	**34,595**

Particulars	Finance lease obligations	Non-convertible debentures	Commercial papers	Term loan	Working capital loans	Total
Balance as at March 31, 2017	**135**	**-**	**12,173**	**25,541**	**3,696**	**41,545**
Proceeds from borrowings	-	7,500	36,986	-	20,600	**65,086**
Repayment of borrowings	(68)	-	(35,771)	(21,731)	(14,649)	**(72,219)**
Acquisition of assets	-	-	-	-	-	**-**
Interest expense (Refer Note 26)	10	141	914	934	621	**2,620**
Interest paid	(7)	-	(929)	(893)	(608)	**(2,437)**
Balance as at March 31, 2018	**70**	**7,641**	**13,373**	**3,851**	**9,660**	**34,595**

	As at March 31, 2018	As at March 31, 2017
17. Other financial liabilities		
Current		
Current maturities of		
Borrowings (Refer Note 16)	3,592	3,586
Finance lease obligation (Refer Note 16)	43	66
Deferred sales tax liability(Refer Note 16)	27	18
Interest accrued but not due (Refer Note 16)	292	109
Unpaid / unclaimed dividends (Refer Note (a) below)	9	12
Unpaid / unclaimed public deposits (Including accrued interest) (Refer Notes (a) and (b) below)	16	18
Others		
Security deposits	141	154
Liability for customer claim (Refer Note 45)	127	3,280
Due to Tie-up manufacturing units [Refer Note 37(a)]	935	905
Capital creditors	222	388
Employee benefits payables	1,100	1,039
Total other current financial liabilities	**6,504**	**9,575**

Notes:

(a) Investor Education and Protection Fund (IEPF) shall be credited when due. As at March 31, 2018 no balances were due to be transferred to IEPF.

(b) Includes unclaimed public fixed deposit which had matured in earlier years of INR 9 (2017: INR 11) in case of which the duly discharged fixed deposit receipts were not received from the deposit holders.

(All amounts in INR Millions except for per share data or as otherwise stated)

		As at March 31, 2018	As at March 31, 2017
18.	**Provisions**		
	Non-Current		
	Employee benefits		
	Compensated absences [Refer Note (b) below]	415	397
	Gratuity [Refer Note 38(b)C]	14	12
	Pension liability [Refer Note 38(b) C]	16	16
	Share appreciation rights [Refer Note 34]	81	17
	Total non-current provisions	**526**	**442**
	Current		
	Employee benefits		
	Gratuity [Refer Note 38(b)C]	0	2
	Compensated absences [Refer Note (b) below]	121	108
	Pension liability [Refer Note 38(b) C]	2	2
	Provision for indirect taxes [Refer Note (a) below]	2,970	2,565
	Provision for onerous contracts [Refer Note (a) below]	-	75
	Total current provisions	**3,093**	**2,752**

Notes:

(a) Movement in provisions

Description	As at April 1, 2016	Additions	Amounts used/ written back	As at March 31, 2017
Indirect taxes disputes	1,842	783	60	2,565
Onerous contracts (Refer Note 45)	-	75	-	75

Description	As at April 1, 2017	Additions	Amounts used/ written back	As at March 31, 2018
Indirect taxes disputes	2,565	433	28	2,970
Onerous contracts (Refer Note 45)	75	-	75	-

Provision is made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities. It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

(b) Based on past experience, the Group does not expect all employees to avail the full amount of accrued leave or require payment for such leave within the next 12 months. However upon separation of an employee, the Group would be required to settle full amount of accrued leave due to be paid to an employee.

		As at March 31, 2018	As at March 31, 2017
19.	**Trade payables**		
	Dues to Trade Creditors	13,791	11,262
	Dues to related parties [Refer Note 36(c)]	760	985
	Total trade payables	**14,551**	**12,247**
20.	**Other current liabilities**		
	Advances from customers	1,675	883
	Statutory dues	2,457	2,172
	Liability for excise duty on closing finished goods inventory (net of prepaid excise duty)	1,212	1,809
	Total other current liabilities	**5,344**	**4,864**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
21. Revenue from operations		
Sale of products (including excise duty)	260,401	254,685
Income from brand franchise arrangements	1,493	528
Income from BCCI - IPL franchise	1,457	1,614
Other operating revenue:		
Scrap sales	427	439
Income from Government grant (Refer Note below)	1,669	166
Miscellaneous	112	136
Total revenue from operations	**265,559**	**257,568**

Note: Represents Maharashtra Value added tax (MVAT) incentive from Govt of Maharashtra under Industrial promotion subsidy (IPS)

22. Other income		
Interest income on financial assets held at amortised cost	42	197
Dividend income from investments measured at FVPL	-	1
Exchange gain (net)	14	-
Gain on disposal of property, plant and equipment (net)	1,108	337
Profit on sale of investment property	509	-
Liabilities, provisions or allowances no longer required written back	515	514
Miscellaneous income	1	4
Total other income	**2,189**	**1,053**
23. Cost of materials consumed		
Raw materials	25,365	28,561
Packing materials	15,894	18,194
Total cost of materials consumed	**41,259**	**46,755**
24. Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening inventory:		
Finished goods [Includes INR 49 (2017: INR 21) for USL Nepal; Refer Note 47]	5,550	5,747
Work-in-progress [Includes INR 22 (2017: INR 20) for USL Nepal; Refer Note 47]	9,335	9,015
Stock-in-trade	510	500
Total opening balance (A)	**15,395**	**15,262**
Closing inventory:		
Finished goods [Includes INR NIL (2017: INR 49) for USL Nepal; Refer Note 47]	6,532	5,550
Work-in-progress [Includes INR NIL (2017: INR 22) for USL Nepal; Refer Note 47]	8,902	9,335
Stock-in-trade	505	510
Total closing balance (B)	**15,939**	**15,395**
Increase / (decrease) in excise duty on finished goods (net) (C)	403	701
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**(141)**	**568**

(All amounts in INR Millions except for per share data or as otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
25. Employee benefits expense		
Salaries, wages and bonus	5,882	5,939
Contribution to provident and other funds [Refer Note 38(a)]	187	206
Defined benefits plans cost [Refer Note 38(b) D]	277	345
Share based payment expense (Refer Note 34)	84	57
Staff welfare expenses	379	335
Total employee benefits expense	**6,809**	**6,882**
26. Finance costs		
Interest and finance charges on financial liabilities at amortised cost (borrowings) (Refer Note 16)	2,620	3,490
Interest- others	90	261
Total finance costs	**2,710**	**3,751**
27. Other expenses		
Consumption of stores and spares	220	219
Direct expenses on BCCI-IPL franchise	1,090	1,077
Sub-contracting Charges	797	809
Power and fuel	279	348
Rent [Refer Note 39(b)]	1,796	2,106
Repairs and maintenance:		
Buildings	79	40
Plant and machinery	236	205
Others	329	327
Insurance	101	114
Rates and taxes	1,645	2,314
Travel and conveyance	464	484
Legal and professional	1,840	1,782
Freight outwards	2,276	2,329
Royalty [Refer Note 36(b)]	105	80
Trade mark license fees	578	582
Exchange loss (net)	-	146
Remuneration to non-executive directors:		
Sitting fee	3	7
Commission	20	22
Bad debts / advances / deposits written off [net of write back of provision of INR 2,529 (2017: INR 335)]	10	20
Provision for doubtful debts / advances / deposits	1,517	75
Provision for impairment of capital work-in-progress	33	-
Expense towards corporate social responsibility	105	-
IT and communication expenses	469	446
Administrative expenses	185	320
Distribution costs	1,465	1,331
Miscellaneous expenses	126	187
Total other expenses	**15,768**	**15,370**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
28. Exceptional items (net)		
(a) Provision towards matters arising consequent to prohibition in the state of Bihar (Refer Note 46)	(180)	(377)
(b) Write down in the value of plant and equipment [Refer Note 3.1 (c)]	-	(217)
(c) Customer claim (Refer Note 45)	28	(2,645)
(d) Reversal of provision against claims from parties arising from initial inquiry (Refer Note 40)	-	28
(e) Allowance for doubtful receivable / advances / deposits, net arising from initial inquiry (Refer Note 40)	-	12
(f) Impairment of Goodwill [Refer Note 52(b)]	(315)	(445)
(g) Provision for loan to associate	-	(37)
(h) Gain on disposal of asset held for sale (Refer Note 47(b))	148	-
(i) Impairment loss recognized on Property, Plant and Equipment in relation to certain manufacturing units (Refer Note 3.1 (d))	(126)	-
Total Exceptional items (net)	**(445)**	**(3,681)**
29. Reconciliation of tax expense and accounting profit multiplied by India's tax rate		
Profits before income tax expense	9,118	1,627
Tax calculated at the domestic rates applicable in the country concerned	3,065	921
Tax effects of amounts which are (allowable) / not deductible in calculating taxable income:		
- Deduction for investment allowance u/s 32AC	-	(89)
- Non deductible expenses (Donations, CSR etc)	43	51
- Short term capital gain on property, plant and equipment	-	20
- Deferred tax credit on indexation benefit on land	-	(23)
- Income not subject to taxation	-	(57)
- Impairment/ provision on investment in subsidiaries and loans and advances to subsidiaries (including reversals)	(58)	21
- Unrecognised deferred tax assets on tax losses for the current year relating to certain subsidiaries	96	(134)
- Deferred tax assets recognised on carry forward losses and unabsorbed depreciation pertaining to earlier years	(507)	-
- Provision/ write off relating to certain receivables considered not taxable, being not claimed as deductible from tax in earlier years	(127)	(16)
- Others	87	3
Income tax expense as per Statement of Profit and Loss	**2,599**	**697**
(a) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (Refer Note below)	6,082	5,377
Potential tax benefit at rates applicable in the country concerned	2,105	1,861

Note:

The Unused tax losses were incurred by subsidiaries which are not likely to generate taxable income in the foreseeable future.

(All amounts in INR Millions except for per share data or as otherwise stated)

	For the year ended March 31, 2018	For the year ended March 31, 2017
30. Earnings per share		
Nominal value of equity shares (INR)	10/-	10/-
(a) Profits attributed to equity holders of the Company	6,338	1,001
(b) Weighted average number of equity shares used as denominator (Refer Note below)	141,868,653	141,868,653
(c) Basic and diluted earnings per share (INR)	44.68	7.06

There are no dilutive equity shares in the Company.

Note:

In calculating the weighted average number of outstanding equity shares during the year, Group has reduced the own shares i.e. 3,459,090 shares (2017: 3,459,090) held by USL Benefit Trust (of which Company is the sole beneficiary).

31. Financial risk management

The Group's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks and financial institutions, trade receivables, loans and other financial assets measured at amortised cost	Aging analysis	Diversification of bank deposits and monitoring of credit limits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk — interest rate	Short-term borrowings at floating rates	Sensitivity analysis of interest rates	Diversified portfolio of fixed and variable interest rate loans
Market risk — foreign exchange	Future commercial transactions, Financial assets and liabilities not denominated in functional currency	Cash flow forecasting Sensitivity analysis	Spot booking

The Group's risk management is carried out by central treasury department under policies approved by the Board. Central treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's other functions. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(A) Credit risk

Credit risk management

Trade receivables:

Group's Credit Policy provides guidance to keep the risk of selling on credit within an acceptable level. The policy provides guidelines for risk assessment, review of credit limits and monitoring overdue trade receivables. The Group's management monitors and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are typically unsecured and are derived from revenue earned from two main classes of trade receivables, receivable from sales of beverage alcohol products to government corporations and receivables from sales and services to private third parties.

Net receivables from government corporation customers amounted to INR 18,646 and 69% (2017: INR 18,985 and 64%) and private customers amounted to INR 8,466 and 31% (2017: INR 10,549 and 36%) of total trade receivables, respectively, on the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

31. Financial risk management *(Continued)*

The Group uses a provision matrix which is applied to overdue receivables other than receivables from government corporations (where the counterparty risk is assessed to be insignificant). The Group's credit risk is concentrated mostly to states where beverage alcohol products are sold to private third parties and receivable from sale of services.

Movement in loss allowances for trade receivables is provided below:

Particulars	March 31, 2018	March 31, 2017
Balance at the beginning of the year	1,356	1,690
Loss allowance recognised	1,214	180
Write offs	(170)	(514)
Balance at the year-end (Refer Note 11)	**2,400**	**1,356**

Other financial assets:

Group carries other financial assets such as balances with banks, receivable with Tie-up manufacturing units, loans to other entities including associates, interest accrued on such loans etc.

Group monitors the credit exposure on these financial assets on a case-to-case basis. Loans to subsidiaries are assessed for credit risk based on the underlying valuation of the entity and their ability to repay within the contractual repayment terms. Group creates loss allowance wherever there is an indication that credit risk has increased significantly.

Movement in loss allowances for the financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2018	March 31, 2017
Balance at the beginning of the year	15,361	16,033
Loss allowance recognised	936	457
Write offs (net of write backs)	(1,466)	(1,129)
Balance at the year end	**14,831**	**15,361**

Significant estimates and judgements in Impairment of financial assets

The impairment provisions for financial assets disclosed above are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. A prudent liquidity risk management is to ensure maintaining the required cash and / or have access to funds required through committed banking lines from banks or markets to address such risks, when they arise.

(i) Group has developed three year 'Capital structure and funding strategy' with an objective to gauge potential risk, project and strategically address funding needs, among others and ensure continued operations within acceptable tolerance limits.

(ii) Treasury team monitors rolling forecasts of the Group's liquidity position on a periodic basis. Funds are optimally used through centralised cash management system across the Group and deficit if any are availed from the undrawn committed borrowing facilities (as below). Internal stake holders are aligned to provide 'early warning' surprises should they occur, so as to enable treasury team to pro-actively align the appropriate source and cost of borrowing to mitigate funding and interest risk.

(iii) Management has planned monetisation of certain non-core assets to infuse liquidity and reduce debts, thereby freeing up the banking lines to access in future, if required

(All amounts in INR Millions except for per share data or as otherwise stated)

31. Financial risk management *(Continued)*

Financing arrangements

The Group had access to the following undrawn borrowing facilities at end of the reporting period:

Particulars	As at March 31, 2018	As at March 31, 2017
Floating rate Expiring within one year (cash credit/ working capital demand loans)	32,212	16,265

The above facilities may be drawn at any time and repayable on demand. The Group has fully utilized fixed rate borrowing facilities as at the end of each of the reporting periods.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

March 31, 2018

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	26,791	27	559	559	8,361	**36,297**
Obligation under finance lease	15	13	19	18	12	**77**
Trade payables	14,551	-	-	-	-	**14,551**
Other financial liabilities	2,550	-	-	-	-	**2,550**
Total liabilities	**43,907**	**40**	**578**	**577**	**8,373**	**53,475**

March 31, 2017

Contractual maturities of financial liabilities	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	22,292	3,681	8,056	4,161	5,593	**43,783**
Obligation under finance lease	18	18	37	46	28	**147**
Trade payables	12,247	-	-	-	-	**12,247**
Other financial liabilities	5,796	-	-	-	-	**5,796**
Total liabilities	**40,353**	**3,699**	**8,093**	**4,207**	**5,621**	**61,973**

(C) Interest rate risk

Group's main interest rate risk arises from Short-Term borrowings with floating rates, which may have some impact on Group cash flow.

Presently interest rates seems to be bottomed out and the Group expects this to be stable with upward bias in the near term. In view of this the Group has kept long term borrowings at fixed interest rate. This does away with the exposure and insulates the Group from adverse movements. During the year, USL has issued unsecured Non-Convertible Debentures ("NCDs") amounting to INR 7,500 at 7.45% p.a. for a period of 3 years. Majority of the Group's short term are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates.

The exposure of the Group's borrowings to interest rate changes at the end of reporting period are as follows:

	As at March 31, 2018	As at March 31, 2017
Variable rate borrowings	24,934	41,069
Fixed rate borrowings	9,149	135
Interest free borrowings	220	232
Total borrowings	**34,303**	**41,436**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

31. Financial risk management *(Continued)*

Sensitivity

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

Interest rates	Impact on Profit after tax- Increase / (decrease)	
	Year ended March 31, 2018	Year ended March 31, 2017
Increase by 50 bps	(81)	(131)
Decrease by 50 bps	81	131

(D) Foreign currency risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and assets and liabilities denominated in a currency that is not the functional currency of the respective Group companies. The risk is measured through a forecast of highly probable foreign currency cash flows.

Foreign currency risk management

The Group's risk management policy is to assess the Group's net exposures which is mainly represented by receivable and payable towards exports and imports respectively, and partly represented by the loans extended in foreign currencies.

The Group can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, this has not been hedged.

Foreign currency risk exposure:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in INR is as follows:

Particulars	As at March 31, 2018			As at March 31, 2017		
Financial assets	**USD**	**GBP**	**Total**	**USD**	**GBP**	**Total**
Trade receivables	117	-	117	131	-	131
Non-current loans	-	-	-	-	123	123
Balances in bank	-	4	4	-	-	-
Net exposure to foreign currency risk (assets)	117	4	121	131	123	254
Financial liabilities						
Trade payables	44	411	455	106	100	206
Other current liabilities	**3**	**-**	**3**	**-**	**-**	**-**
Net exposure to foreign currency risk (liabilities)	**47**	**411**	**458**	**106**	**100**	**206**

Impact on Profit after Tax

The sensitivity of profit or loss due to changes in exchange rates arises mainly from foreign currency denominated net exposures. The impact of sensitivity to fluctuations in foreign exchange rate is not considered material.

32. Capital management

Risk management

The Group's objectives when managing capital is to:

a) have a balanced financial profile from short term (1 year) to mid-term (3 years) for sustainable leverage, providing;
- Headroom for future growth / expansion
- Financial flexibility in case of adverse business cycles

b) ensure the capital structure is at competitive advantage when compared to peers and other sector players through optimum debt mix through:
- Diversification of funding sources to manage liquidity and rollover risk
- Financial flexibility in case of adverse business cycles

Particulars	As at March 31, 2018	As at March 31, 2017
Net Debt	32,884	40,651
Total Equity	24,327	17,831
Net debt to equity ratio	**1.35**	**2.28**

(All amounts in INR Millions except for per share data or as otherwise stated)

33. Assets pledged as security

In respect of secured loans from bank and others ('lenders') obtained during earlier years and repaid during the year ended March 31, 2018 and in earlier years, the Company has in most cases obtained no objection letters from lenders for the release of the hypothecation/ mortgage and have filed the necessary e-forms online with Ministry of Corporate Affairs ("MCA") to reflect the release of such charge in MCA's records. In the few remaining cases, the Company is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2018, no assets have been shown as hypothecated/ mortgaged as at March 31, 2018.

The carrying amounts of assets hypothecated/ mortgaged for current and non-current borrowings as at March 31, 2017 are as follows:

Current	Notes	As at March 31, 2017
Financial assets		
Floating charge		
Trade receivables	11	29,605
Cash and cash equivalents	12.1	439
Bank balances other than cash and cash equivalents	12.2	54
Other financial assets	6	1,729
Non-financial assets		
Floating charge		
Inventories	10	14,514
Other current assets (excluding taxes paid in advance)	9	3,518
Total assets pledged as security		**49,859**

The carrying amounts of assets classified as held for sale not included in the table above, pledged as security in respect of borrowings for United Spirits Nepal Private Limited are as follows:

Current	Notes	As at March 31, 2018	As at March 31, 2017
Non-current assets			
Land and Buildings	3.1	-	14
Plant and equipment and capital work-in-progress	3.1	-	31
Total of above		**-**	**45**
Total borrowings		**-**	**23**

Further the following assets (not included in the above table) have been pledged with a bank with whom the Company is involved in a litigation (Refer Note 44)

Non-current	Notes	As at March 31, 2018	As at March 31, 2017
First charge			
Freehold land	3.1	1,198	1,198
Freehold building	3.1	722	856
Lease hold land	3.1	39	40
Plant and equipment	3.1	525	779
Investments as a sole beneficiary in USL benefit trust		**1,197**	**1,197**
Total non-current assets pledged as security		**3,681**	**4,070**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

34. Share based payments

Diageo Performance Incentive (DPI)

DPI is a one-time long-term incentive scheme for select employees who were active on Company's payroll on September 1, 2016. A single grant was made in September 2016 with zero pay out for any leaver prior to vesting in September 2019 (vesting period – 3 years). Diageo Plc.'s share options (one option equivalent to one share) were granted to such employees as a percentage of salary. Vesting is subject to conditions such as continuity of employment, Diageo's productivity and net sales growth and individual's net promoter score. As at March 31, 2018 such outstanding share options are 59,994 (March 31, 2017: 97,904) and the charge for the year included in employee benefits expense is INR 20 (March 31, 2017: INR 40) (Refer Note 25) with a corresponding credit to other equity.

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employee reward to Company's share price performance. Under this plan, Company grants stock appreciation rights (based on USL share price) to select employees. The grant is made in September every year, as a percentage of salary. Cash pay-out equivalent to the value of shares will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs was determined using the Black-Scholes model using the following inputs at the grant dates:

Grant Date	March 31, 2018		March 31, 2017
	September 01, 2016	September 01, 2017	September 01, 2016
Share price at grant date (INR per share)	2,313	2,543	2,313
Expected volatility (%)	16.71	16.71	10.83
Dividend yield (%)	-	-	-
Risk-free interest rate (%)	6.25	6.25	6.69

As at March 31, 2018 such outstanding SARs are 84,908 (March 31, 2017: 47,445) and the charge for the year included in employee benefits expense is INR 64 (March 31, 2017: INR 17) (Refer Note 25) with a corresponding credit to non- current provision for employee benefits (Refer Note 18).

35. Segment reporting

Segment Information

The Group is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing and through strategic franchising of some of its brands. The Executive Committee of the Company (being the Chief Operating Decision Maker) assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment (viz. Beverage alcohol).

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

The following information discloses external revenues and non-current assets based on the physical location of the customers and assets respectively.

	March 31, 2018			March 31, 2017		
Geographic segment	India	Outside India	Total	India	Outside India	Total
External revenue	264,344	1,215	265,559	254,926	2,642	257,568
Non-current assets	32,201	0	32,201	31,359	109	31,468

36. Related party disclosures

(a) Names of related parties and description of relationship

(i) **Parent entities of the Company**

- Diageo Plc. (Ultimate Holding Company)
- Tanqueray Gordan & Company Ltd. (Immediate Holding Company)
- Relay B V (Holding Company)

36. Related party disclosures *(continued)*

(ii) **Fellow subsidiaries(with whom transactions have been taken place during the year)**

- Diageo Scotland Limited
- Diageo India Private Limited
- Diageo Brands BV
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Pte Limited
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Plc
- Diageo Business Services India Private Limited

(iii) **Associate**

- Wine Society of India Private Limited

(iv) **Employees' Benefit Plans:**

- McDowell & Company Limited Staff Gratuity Fund
- McDowell & Company Limited Officers' Gratuity Fund
- McDowell & Company Limited Employees Provident Fund
- Phipson & Company Limited Management Staff Gratuity Fund
- Phipson & Company Limited Gratuity Fund
- Carew & Company Limited Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust
- Pioneer Distilleries Employees' Gratuity Trust

Refer Note 38 for information on transactions with post-employment benefit plans mentioned above.

(v) **Key management personnel**

Executive directors

- Anand Kripalu (Managing Director & Chief Executive Officer)
- Sanjeev Churiwala (Chief Financial Officer) (w.e.f April 1, 2017)

(vi) **Non-executive/ Independent directors**

- Mahendra Kumar Sharma
- Dr Indu Shahani
- D Sivanandhan
- John Thomas Kennedy (w.e.f August 17, 2016)
- Nicholas Bodo Blazquez (till January 21, 2017)
- Rajeev Gupta
- Randall Ingber (w.e.f February 2, 2017)
- Ravi Rajagopal (till October 13, 2016)
- Sudhakar Rao (till May 19, 2016)
- V K Viswanathan (w.e.f October 16, 2016)
- Vinod Rao (w.e.f May 24, 2016)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

36. Related party disclosures *(continued)*

(b) Summary of the transactions with related parties

	Name of the related party	Relationship	For the year ended March 31, 2018	For the year ended March 31, 2017
(i)	**Sale of products (including excise duty) to**			
	Guinness Nigeria Plc	Fellow subsidiary	59	24
	Total - Sale of products		**59**	**24**
(ii)	**Reimbursement of expenses from**			
	Diageo Plc.	Parent	1	32
	Diageo Great Britain Limited	Fellow subsidiary	9	7
	Diageo Brands BV	Fellow subsidiary	-	8
	Diageo Scotland Limited	Fellow subsidiary	30	115
	Guinness Nigeria Plc	Fellow subsidiary	-	5
	Total - Reimbursement of expenses		**40**	**167**
(iii)	**Purchase of stock-in-trade from**			
	Diageo Brands BV	Fellow subsidiary	1,038	1,264
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	30	14
	Total - Purchase of traded goods		**1,068**	**1,278**
(iv)	**Loans advanced to**			
	Wine Society of India Private Limited	Associate	-	38
	Total – Loans advanced		**-**	**38**
(v)	**Allowance against loans made**			
	Wine Society of India Private Limited	Associate	-	38
	Total – allowances made		**-**	**38**
(vi)	**Purchase of materials**			
	Diageo Brands BV	Fellow subsidiary	559	796
	Total - Purchase of materials		**559**	**796**
(vii)	**Royalty expense**			
	Diageo Scotland Limited	Fellow subsidiary	19	3
	Diageo North America Inc.	Fellow subsidiary	86	77
	Total - Royalty expense (Refer Note 27)		**105**	**80**
(viii)	**Professional charges**			
	Diageo Business Service India Private Limited	Fellow subsidiary	140	-
	Total - Professional charges		**140**	**-**
(ix)	**Cross Charge – towards share based payments/ employee benefits expense**			
	Diageo Plc.	Parent	129	-
	Total - Cross charge		**129**	**-**
(x)	Reimbursement of expenses paid to			
	Diageo Scotland Ltd.	Fellow subsidiary	2	-
	Diageo Australia Limited	Fellow subsidiary	6	25
	Diageo Brands BV	Fellow subsidiary	3	1
	Diageo North America Inc	Fellow subsidiary	8	31
	Diageo Great Britain Limited	Fellow subsidiary	5	1
	Total - reimbursement of expenses paid		**24**	**58**

(All amounts in INR Millions except for per share data or as otherwise stated)

36. Related party disclosures *(continued)*

	Name of the related party	Relationship	For the year ended March 31,2018	For the year ended March 31, 2017
(xi)	**Contribution to employee benefit plans**			
	McDowell & Company Limited Officers' Gratuity Fund	Employees' benefit plan	-	336
	McDowell & Company Limited Staff Gratuity Fund	Employees' benefit plan	-	20
	McDowell & Company Limited Employees Provident Fund	Employees' benefit plan	152	161
	United Spirits superannuation Fund	Employees' benefit plan	64	77
	Pioneer Distilleries Employees' Gratuity Trust	Employees' benefit plan	2	10
	Total - Contribution to employee benefit plans		**218**	**604**
(xii)	Assignment of receivables in favour of the Company from Diageo India Private Limited	Fellow subsidiary	-	3
(xiii)	Indemnification settlement from Diageo plc	Parent	-	75

(c) Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Name of the related party	Relationship	As at March 31, 2018	As at March31, 2017
(i)	**Loan outstanding**			
	Principal amount			
	Wine Society of India Private Limited (Refer Note 5)	Associate	314	314
(ii)	**Other Receivables from related parties**			
	Diageo Plc	Parent	-	80
	Diageo Scotland Limited	Fellow subsidiary	-	24
	Diageo Great Britain Limited	Fellow subsidiary	7	-
	Total (Refer Note 6)		**7**	**104**
(iii)	**Trade receivables from related parties**			
	Guinness Nigeria Plc	Fellow subsidiary	6	8
	Total (Refer Note 11)		**6**	**8**
(iv)	**Indemnification settlement receivable from**			
	Diageo Plc.	Parent	-	75
(v)	**Allowance at the year end for loans**			
	Wine Society of India Private Limited	Associate	314	314
(vi)	**Trade Payable to related parties**			
	Diageo Plc	Parent	58	-
	Diageo Brands BV	Fellow subsidiary	535	937
	Diageo India Private Limited	Fellow subsidiary	-	5
	Diageo Great Britain Limited	Fellow subsidiary	-	5
	Diageo Australia Limited	Fellow subsidiary	4	3
	Diageo North America Inc.	Fellow subsidiary	17	20
	Diageo Scotland Limited	Fellow subsidiary	17	-
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	1	15
	Diageo Business Service India Pvt Limited	Fellow subsidiary	128	-
	Total trade payables to related parties (Refer Note 19)		**760**	**985**
(vii)	**Minimum off take commitment for purchase of bulk scotch**			
	Diageo Scotland Limited	Fellow subsidiary	1,560	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

36. Related party disclosures *(continued)*

(d) Key management personnel compensation

Executive Directors	For the year ended March 31, 2018		For the year ended March 31, 2017
	Anand Kripalu	Sanjeev Churiwala	Anand Kripalu
Remuneration(*)	135	45	123
Employee share-based payments(**)	9	-	5
Total compensation	**144**	**45**	**128**

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

(**) Based on options exercised.

Non-Executive directors	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	0.5	4.7	1.4	4.7
Indu Shahani	0.8	4.1	1.4	3.9
Rajeev Gupta	0.5	3.5	1.1	3.3
D Sivanandhan	0.6	4.1	1.6	3.9
V K Viswanathan	0.6	3.8	0.5	1.6
Nicholas Bodo Blazquez	-	-	0.3	1.9
Sudhakar Rao	-	-	0.2	0.5
Ravi Rajagopal	-	-	0.8	1.9
Total	**3.0**	**20.2**	**7.3**	**21.7**

(e) General terms and conditions

Transaction with related parties are carried out in the normal course of business and are generally on normal commercial terms.

37. Offsetting financial assets and financial liabilities

(a) The Group provides working capital support to certain Tie-up manufacturing units (TMUs), who are responsible for manufacturing and distribution of certain products on behalf of the Group. The aforesaid working capital is represented by inventories, trade receivables, other financial assets and other financial liabilities. The Group has reported net working capital excluding inventory on the face of balance sheet as other financial assets / liability (net), as these amounts are expected to be settled on net basis. Details of such offset is given in the below table.

Particulars	As at March 31, 2018	As at March 31, 2017
Trade receivables	1,197	258
Cash and cash equivalents	16	71
Other financial assets	209	80
Total Financial assets	**1,422**	**409**
Trade payables	112	82
Other financial liabilities	1,195	351
Total Financial liabilities	**1,307**	**433**
Net amount presented in Balance Sheet	**115**	**(24)**
Receivable from TMUs (Included under Note 6)	1,050	881
Due to TMUs (Included under Note 17)	(935)	(905)
Total net working capital in TMU Operations	**115**	**(24)**

(All amounts in INR Millions except for per share data or as otherwise stated)

37. Offsetting financial assets and financial liabilities *(continued)*

(b) The Group gives volume based rebates to certain customers. As a practice amounts payable by Group are offset against receivables from such customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet. Details of such offset is given in the below table.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Trade receivables (gross)	27,660	29,651
Less: Volume discount	(548)	(117)
Total(Refer Note 11)	**27,112**	**29,534**

38 (a) Defined contribution plans

The Group contributes to defined contribution plans for employee such as Provident Fund (PF), Employees' Pension Scheme (EPS), Superannuation Fund (SF) and Employees' State Insurance (ESI). PF and EPS cover substantially all regular employees while the SF covers certain executives and ESI covers eligible employees. Contribution to SF is made to United Spirits Superannuation Fund ('USSF'). Other contributions are made to the Government funds or Insurance companies. While both the employees and the Group pay predetermined contributions into the Provident Fund and the ESI Scheme, contributions into the pension fund and the superannuation fund are made only by the Group. The contributions are normally based on a certain percentage of the employee's salary.

During the year, the Group has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds in the employee benefits expense.

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Provident fund and employee's pension scheme*	101	113
Superannuation fund	65	77
Employees' state insurance	10	6
National pension fund	11	10
Total (Refer Note 25)	**187**	**206**

* Excluding contribution to PF made to trusts which are in the nature of defined benefit plans managed by the Group.

(b) Defined benefit plans

Gratuity:

The Group provides for gratuity, a defined benefit plan (the Gratuity Plan), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, of an amount based on the respective employee's last drawn salary and years of employment with the Group. The Group has employees' gratuity funds managed by the Group as well as by Insurance Companies.

Pension:

The Group operates a defined benefit pension plan for certain executives and workers of the Group. This plan, provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on their salary in the final year leading up to retirement.

Provident fund:

For certain executives and workers of the Group, contributions are made as per applicable Indian laws towards Provident Fund to certain Trusts set up and managed by the Group, where the Group's obligation is to provide the agreed benefit to the employees and the actuarial risk and investment risk fall, in substance, on the Group. Having regard to the assets of the Fund and the return on the investments, shortfall if any, in the assured rate of interest notified by the Government, which the Group is obliged to make good is determined actuarially.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

38 (b) Defined benefit plans *(continued)*

Gratuity and Provident Fund

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Description	Funded plans				Unfunded plans			
	As at March 31, 2018		As at March 31, 2017		As at March 31, 2018		As at March 31, 2017	
	Gratuity	Provident fund	Gratuity	Provident fund	Gratuity	Pension fund	Gratuity	Pension fund
Obligation at the beginning of the year	1,483	2,694	2,202	2,455	8	18	6	18
Current service cost	164	152	168	161	1	-	2	-
Interest Cost	94	121	155	111	0	1	1	1
Benefit payments from plan assets	(286)	(488)	(448)	(545)	0	-	-	(4)
Benefit payments directly by employer	(16)	-	(16)	-	(4)	(2)	(4)	-
Acquisition/ Divestiture	5	-	-	-	-	-	-	-
Transfer In/ Out	-	146	-	-	-	-	-	-
Employee contributions	-	188	-	380	-	-	-	-
Actuarial (Gain) / Loss from changes in financial assumption	(34)	117	(318)	132	(2)	1	-	3
Actuarial (Gain) / Loss – Experience adjustments	(137)	-	(260)	-	**(0)**	**-**	**3**	**-**
Obligation at the end of the year	**1,273**	**2,930**	**1,483**	**2,694**	**3**	**18**	**8**	**18**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

Description	Funded plans			
	As at March 31, 2018		As at March 31, 2017	
	Gratuity	Provident fund	Gratuity	Provident fund
Plan Assets at the beginning of the year	1,946	2,746	1,824	2,415
Employee Contribution	-	188	-	206
Transfer In/ (Out)	-	146	-	174
Contribution by the Group	2	152	356	161
Expected return on plan assets	135	121	142	112
Actuarial gains / (losses)	(38)	109	72	222
Benefits paid	(286)	(488)	(448)	(544)
Plan assets at the end of the year	**1,759**	**2,974**	**1,946**	**2,746**

C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet at the end of the year

Description	Funded plans			
	As at March 31, 2018		As at March 31, 2017	
	Gratuity	Provident fund	Gratuity	Provident fund
Present value of obligation	1,273	2,930	1,483	2,694
Fair value of plan assets	1,759	2,974	1,946	2,746
Asset ceiling	-	(44)	-	(52)
Liability / (asset) recognised in Balance sheet (Refer Notes 9 and 18)	**(486)***	**-**	**(463)***	**-**
Current	0	-	NA	NA
Non-Current	(486)	-	(463)	0

* Comprises net Liability of INR 11 (2017: INR 10) pertaining to subsidiaries and net asset of INR 497 (2017: INR 473) pertaining to USL.

(All amounts in INR Millions except for per share data or as otherwise stated)

38 (b) Defined benefit plans *(continued)*

Description	Unfunded plans			
	As at March 31, 2018		As at March 31, 2017	
	Gratuity	Pension fund	Gratuity	Pension fund
Present value of obligation	3	18	8	18
Fair value of plan assets	-	-	NA	NA
Asset ceiling	-	-	NA	NA
Liability recognised in Balance sheet (Refer Notes 18)	**3**	**18**	**8**	**18**
Current	0	2	1	2
Non-Current	3	16	3	16

Liability / (net assets) disclosed in the financial statements is as follows:

Description		As at March 31, 2018			As at March 31, 2017		
	Note	Gratuity	Pension fund	Provident fund	Gratuity	Pension fund	Provident fund
Non-current provision	Note 18	14	16	-	12	16	-
Current provision	Note 18	0	2	-	2	2	-
Non-current assets	Note 9	(497)	-	-	(473)	-	-
Liabilities directly associated with assets classified as held for sale	Note 47	-	-	-	4	–	-
Liability / (net asset) recognised in Balance sheet		**(483)**	**18**	**-**	**(455)**	**18**	**-**

D. Expenses recognised in the Statement of profit and loss:

Description	Funded plans				Unfunded plans			
	For the year ended March 31, 2018		For the year ended March 31, 2017		For the year ended March 31, 2018		For the year ended March 31, 2017	
	Gratuity	Provident fund	Gratuity	Provident fund	Gratuity	Pension fund	Gratuity	Pension fund
Current service cost	164	152	168	161	1	-	2	-
a. Interest expense on DBO	94	121	155	111	0	1	1	1
b. Interest (income) on plan assets	(133)	(121)	(142)	(112)	-	-	-	-
Net interest cost	(41)	-	13	(1)	**0**	**1**	**1**	**1**
Defined benefit cost (Refer Note 25)	**125**	**152**	**181**	**160**	**1**	**1**	**3**	**1**

E. Re-measurement Effects Recognized in Other Comprehensive Income (OCI):

Description	Funded plans				Unfunded plans			
	For the year ended March 31, 2018		For the year ended March 31, 2017		For the year ended March 31, 2018		For the year ended March 31, 2017	
	Gratuity	Provident fund	Gratuity	Provident fund	Gratuity	Pension fund	Gratuity	Pension fund
a. Actuarial (Gain) / Loss due to Financial Assumption changes in DBO	(34)	117	(318)	-	(2)	1	-	3
b. Actuarial (Gain) / Loss due to Experience on DBO	(137)	-	(260)	132	(0)	-	3	-
c. Return on Plan Assets (Greater) / Less than Discount rate	38	(109)	(72)	(221)	-	-	-	-
d. Movement in asset ceiling	-	(8)	-	-	**-**	**-**	**-**	**-**
Total Actuarial (Gain)/Loss included in OCI	**(133)**	**-**	**(650)**	**(89)**	**(2)**	**1**	**3**	**3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

38. (b) Defined benefit plans *(continued)*

F. Total Cost Recognised in Comprehensive Income:

Description	For the year ended March 31, 2018				For the year ended March 31, 2017			
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Non -funded)	Pension (Non -funded)	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Non -funded)	Pension (Non -funded)
Expense recognised in P&L (Refer Note 25)	123	152	1	1	181	160	3	1
Remeasurements Effects Recognised in OCI	(133)	-	(2)	1	**(650)**	**(89)**	**3**	**3**
Total Cost Recognised in Comprehensive Income	**(10)**	**152**	**(1)**	**2**	**(469)**	**71**	**6**	**4**

G. Investment details of plan assets:

Description	For the year ended March 31, 2018		For the year ended March 31, 2017	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	47%	-	45%
Securities guaranteed by government	-	16%	-	9%
Public sector / financial institutional bonds	-	26%	-	34%
Special deposit scheme	-	4%	-	3%
Fund balance with insurance companies	99%	-	99%	-
Others (including bank balances)	1%	7%	1%	9%
Total	**100%**	**100%**	**100%**	**100%**

H. Assumptions:

Description	As at March 31, 2018			As at March 31, 2017		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Non-funded)
Discount rate (per annum)	7.40%	7.56%	7.40%	6.90%	7.10%	6.90%
Rate of increase in compensation levels	10.00%	NA	NA	10.00%	NA	NA
Attrition rate	13.20%	13.20%	NA	13.20%	13.20%	NA
Mortality rates	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	LIC (1996-1998 Annuitance rate)	IALM* (2006-08) Ultimate table	IALM* (2006-08) Ultimate table	LIC (1996-1998 Annuitance rate)

*IALM: Indian Assured Lives Mortality

(c) Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Description	Impact on defined benefit obligation					
	Changes in assumptions		Increase in assumption		Decrease in assumption	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Discount rate	1%	1%	Decrease by 4.83%	Decrease by 6.30%	Increase by 5.34%	Increase by 3.69%
Rate of increase in compensation levels	1%	1%	Increase by 5.16%	Increase by 3.32%	Decrease by 4.77%	Decrease by 6.12%

(All amounts in INR Millions except for per share data or as otherwise stated)

38. (c) Sensitivity analysis *(continued)*

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet.The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(d) Risk exposure:

Through its defined benefit plans, Group is exposed to number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets underperform this yield, this will create a deficit. Most of the plan asset investments is in government securities and pre-defined insurance plans. These are subject to interest rate risk and the fund manages interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in bond yields	A decrease in bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in March 2018 consists of government and public sector bonds, although the Group also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

(e) Effect of the defined benefit plan on the entity's future cash flows

Expected contributions to post-employment benefit plans for the year ending March 31, 2019 is INR 167. The weighted average duration of the defined benefit obligation is 6.12 years (2017: 6.12 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2018	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Gratuity	204	177	473	580	**1,434**
Provident fund	351	371	1,034	1,301	**3,057**
Total	**555**	**548**	**1,507**	**1,881**	**4,491**

March 31, 2017	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Gratuity	244	204	549	606	**1,603**
Provident fund	522	378	976	1,144	**3,020**
Total	**766**	**582**	**1,525**	**1,750**	**4,623**

Note: The estimates of future increase in compensation levels, considered in the actuarial valuation, have been taken on account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

39. Leases

(a) Finance lease:

The Group has acquired office equipment and vehicles on finance leases. The lease agreements for office equipment and vehicles are generally a primary period of 36 to 60 months. The Company has an option to renew these leases for a secondary period. Lease arrangement for land is generally for a period of 95-99 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

39. Leases *(continued)*

The minimum lease payments and their present value for the finance leases, are as follows:

Particulars	As at March 31, 2018		As at March 31, 2017	
	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments
Not later than one year	43	47	66	73
Later than one year and not later than five years	27	30	69	74
Later than five years	-	-	-	-
	70	**77**	**135**	**147**
Less: Finance charges		7		12
Total (Refer Note 16)		**70**		**135**

(b) Operating lease:

The Group's significant operating leasing arrangements are in respect of premises (residential, office, manufacturing facilities, etc.) and plant and machineries, which are for a period ranging between 11 months and 3 years. These arrangements are usually renewable by mutual consent on mutually agreeable terms.

Rental expense relating to operating lease:

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Minimum lease payments	826	1,177
Contingent rent	970	929
Total rental expense relating to operating lease (Refer Note 27)	**1,796**	**2,106**

Contingent rent represents bottling fees paid to tie-up manufacturers under an arrangement which are in nature of operating lease, where rent is determined based on the output / volume.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Particulars	As at March 31, 2018	As at March 31, 2017
Within one year	371	306
Later than one year and not later than five years	562	561
Later than five years	313	313
Total	**1,246**	**1,180**

40. Initial and Additional Inquiry

As disclosed in the financial statements for the year ended March 31, 2017, pursuant to the findings of the Company's Board's initial inquiry into past improper transactions ('Initial Inquiry'), which was completed in April 2015, the Company executed settlement agreements with ten parties identified in the Initial Inquiry, and settlements with four parties were pending at the end of the previous financial year. During the quarter ended June 30, 2017, the Company reached settlements with two of the remaining parties. Discussions with one of the remaining parties turned adverse, and the matter remains likely to manifest itself into a dispute. The last remaining party identified in the Initial Inquiry has ceased to be in business and therefore it is not possible to reach any settlement with this party. All amounts relating to the said two parties that remain unsettled have been fully provided for. Therefore, there is no further material exposure to the Group.

As disclosed in the financial statements for the year ended March 31, 2017, upon completion of the Initial Inquiry which identified references to certain additional parties and certain additional matters, the MD & CEO of the Company, pursuant to the direction of the Board of Directors of the Company, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016 and which prima facie identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas

40. Initial and Additional Inquiry *(continued)*

entities that appear to be affiliated or associated with the Company's former non-executive chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior years. Pursuant to a detailed review of each case of such fund diversion, and after obtaining expert legal advice, the Company has, where appropriate, filed civil suits for recovery of funds from certain parties, including, Dr. Vijay Mallya, before the appropriate courts. Further, at this stage, it is not possible for the management to estimate the financial impact on the Group, if any, arising out of potential non-compliance with applicable laws in relation to such fund diversions.

41. Loan to UBHL

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016 and March 31, 2017, the Company had pre-existing loans/ deposits/ advances/accrued interest that were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ('UBHL') and its subsidiaries aggregating INR 13,374 and that 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 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374, and for the accrued interest of INR 846 up to March 31, 2014. The Company has also not recognised interest income on said loan aggregating to INR 5,019 for the period from April 1, 2014 to March 31, 2018. The Company has offset payable to UBHL under the trademark agreement amounting to INR 307 for the year ended March 31, 2018 (cumulatively INR 846 up to March 31, 2018) against the aforesaid interest receivable from UBHL and consequently corresponding provision for interest receivable has been reversed to 'Other Income' in the relevant periods.

The Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 08, 2018, i.e., subsequent to the end of the financial year ended March 31, 2018, the arbitral tribunal passed a final order against the Company. The reasons for this adverse award are disputed by the Company, and the Company is presently working with legal experts to challenge the said award. Notwithstanding the arbitration award, based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the interest and loan receivable from UBHL.

42. Excess managerial remuneration pertaining to earlier year

The managerial remuneration for the financial year ended March 31, 2015 aggregating INR 63 and INR 153 to the Managing Director & Chief Executive Officer ('MD & CEO') and the former Executive Director and Chief Financial Officer ('ED & CFO') of the Company, respectively, was approved by the shareholders 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 Companies Act, 2013 ('Act') by INR 51 to the MD & CEO and INR 134 to the former ED & CFO. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. The Central Government, by letters dated April 28, 2016 did not approve the Company's applications. On May 24, 2016 the Company resubmitted the applications, along with detailed explanations, to the Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO by its letter dated July 12, 2016 and filed a civil suit to recover the sums from the former ED & CFO. The Company is awaiting response from the Central Government to its resubmitted application in respect of the MD & CEO.

43. Regulatory notices and communications

The Company had received letters and notices from various regulatory and other government authorities as follows:

a) as disclosed in the financial statements for the years ended March 31, 2016 and March 31, 2017, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement entered into by the Company with Dr. Vijay Mallya to which the Company has responded and no further communications have been received thereafter;

b) as disclosed in the financial statements for the years ended March 31, 2016 and March 31, 2017, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013 to which the Company had responded. The Company has received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. The Company thereafter filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and requested the Registrar to drop one show cause notice based on expert legal advice received. The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

43. Regulatory notices and communications *(continued)*

c) as disclosed in the financial statements for the years ended March 31, 2016 and March 31, 2017, from the Directorate of Enforcement ('ED') in connection with agreements entered into with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company had responded and no further communications have been received thereafter; and

d) as disclosed in the financial statements for the year ended March 31, 2017, from the Company's authorised dealers in relation to certain queries from Reserve Bank of India ('RBI') with regard to: (i) remittances made in prior years by the Company to its overseas subsidiaries; (ii) past acquisition of the Whyte and Mackay group; (iii) clarifications on Annual Performance Reports ('APR') submitted for prior years; and (iv) compliances relating to the Company's overseas Branch office, all of which the Company had responded to. During the financial year ended March 31, 2018, the Company has received further queries from authorised dealers in connection with items (i), (iii) and (iv) above to which the Company has responded.

44. Dispute with a bank

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016 and March 31, 2017, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from a bank in earlier years under a consortium arrangement, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280, including prepayment penalty of INR 40, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the stand taken by the bank and its writ petition is pending before the Hon'ble High Court of Karnataka. On completion of the loan tenure on March 31, 2015, the bank demanded an amount of INR 474 towards principal and interest on the said loan, which the Company contested in the Hon'ble High Court of Karnataka. In August 2015, the bank obtained an ex parte injunction in proceedings between the bank and KFA, before the Debt Recovery Tribunal, Bangalore ('DRT'), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed their objections against such ex parte order passed in proceedings in which neither the Company nor the USL Benefit Trust were enjoined as parties. In December 2015, the Hon'ble High Court of Karnataka issued a stay order restraining the bank from dealing with the above mentioned pledged shares until further orders. Thereafter in February 2016, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459, and the Company also received a subsequent notice in March 2016 issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Hon'ble High Court of Karnataka, in the writ proceedings, the Hon'ble High Court of Karnataka directed that if the Company deposited the sum of INR 459 with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets including shares pledged with the bank till disposal of the original writ petition filed by the Company before the Hon'ble High Court of Karnataka. During the quarter ended June 30, 2016, the Company accordingly deposited the said sum and replied to the bank's various notices in light of the above. The aforesaid amount has been accounted as other non-current financial asset [Refer Note 6(a)]. On January 19, 2017, the DRT dismissed the application filed by the bank seeking the attachment of USL Benefit Trust shares. The Company on March 13, 2017 issued a legal notice to the bank asking them to provide the 'no-objection' for the release of the pledged shares, withdrawing the notices under SARFESI and also to pay compensation on account of loss of interest, value of differential share price, loss of reinvestment opportunity, reputational damage etc. to which the bank has responded denying the claim. During the quarter ended June 30, 2017, the Company issued a rejoinder denying the incorrect averments of the bank and issued notice to each member of the board of directors of the bank informing them of the issue and the 'mala-fide' actions of the bank, to which the bank has responded denying the claim. The bank has, during the quarter ended September 30, 2017 filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, the bank has subsequent to the order for the DRAT filed an application, impleading the Company in the proceedings.

45. Claim from a customer

Consequent to a voluntary disclosure made by the Company to a customer regarding prices historically charged by the Company to the customer being inconsistent with trading terms that apply between the Company and the customer, the Company received a claim during the quarter ended September 30, 2016 and thereafter a debit note for the period up to December 31, 2016, in the quarter ended March 31, 2017 and a revised debit note for the period up to April 30, 2017, in the quarter ended June 30, 2017. After considering an accrual of INR 250 which was made on this account in the financial year ended March 31, 2016, an additional liability had been recorded for the balance amount of INR 3,030 (including potential liability of INR 130 for the period January to March 2017) during the year ended March 31, 2017 of which INR 460 related to claims for sales made during the year ended March 31, 2017, which had been recorded as reduction from Revenue from

(All amounts in INR Millions except for per share data or as otherwise stated)

45. Claim from a customer *(continued)*

Operations, and INR 2,570 pertaining to sales made in earlier years which had been disclosed as an exceptional item in the Statement of profit and loss for the year ended March 31, 2017. In respect of some of the specific products, the prices demanded by the customer resulted in the Company incurring a foreseeable loss and accordingly a provision for the onerous element in such contracts amounting to INR 75 had been made and included in exceptional items for the year ended March 31, 2017. The aggregate amount included in exceptional items was therefore INR 2,645 for the year ended March 31, 2017(Refer Note 28). For the quarter ended June 30, 2017, the estimated potential liability of INR 47 on account of price differences has been utilised from onerous provision and the remaining excess onerous provision no longer required, of INR 28, has been reversed as an exceptional item. During the quarter ended December 31, 2017, the Company utilized INR 3,200 out of the existing liability of INR 3,327 and offset receivables of equivalent amount from the customer. The customer and the Company have agreed on the revised price and trading terms for future supplies. (Refer Note 17).

46. Receivable from Bihar government

The Government of Bihar by its notification dated April 5, 2016 imposed a ban on trade and consumption of Indian Made Foreign Liquor and foreign liquor in the state of Bihar with immediate effect. Writ petitions were filed with the Hon'ble High Court of Patna challenging the said notification and seeking payment for supplies made by the Company and its Tie-up manufacturing units to Bihar State Beverages Corporation Limited ('BSBCL'). By an order dated September 30, 2016, the Hon'ble High Court of Patna set aside the notification dated April 5, 2016 and held Section 19(4) of the Bihar Excise Act, 1915, as ultra vires the Constitution of India. Subsequently, the Government of Bihar re-imposed prohibition by notifying a new legislation i.e. The Bihar Prohibition and Excise Act, 2016, on October 02, 2016. The Government of Bihar also preferred a special leave petition ('SLP') before the Hon'ble Supreme Court against the judgment of the Hon'ble High Court of Patna pursuant to which the Hon'ble Supreme Court has stayed the order of the Hon'ble High Court of Patna. During the quarter ended December 31, 2016, the Company made an application seeking compensation from the Government of Bihar towards losses suffered as a result of arbitrary imposition of prohibition.

On January 24, 2017, the Government of Bihar issued a Notification prohibiting the manufacture of alcoholic beverages in the State (with effect from April 1, 2017) the consequences of which criminalise the continued storage of all stock of raw material and finished goods in the State of Bihar (including the stock lying at BSBCL). Pursuant to an application by the Confederation of Indian Alcoholic Beverage Companies (CIABC) in the Supreme Court, the Government of Bihar extended this timeline to April 30, 2017 and the Hon'ble Supreme Court further extended this to July 31, 2017, to allow additional time for companies to transfer said materials out of the state of Bihar.

The Company has since transferred substantial stocks of raw materials and finished goods outside the state of Bihar including the 'billed stocks' supplied by the Company pursuant to valid orders for sales which were in the possession of BSBCL and has destroyed such stocks which could not be transferred. In relation to certain raw materials lying in the State of Bihar, the Company during the quarter ended December 31, 2017 had received an approval from the Department of Liquor Prohibition, Bihar for sale of such raw material to entities outside the State of Bihar, before January 31, 2018, pursuant to which the said raw material has been shifted out of the State of Bihar during the quarter ended March 31, 2018.

The Company had sought from the Government of Bihar refund of statutory duties i.e. VAT and Excise duty paid in respect of the said stocks aggregating to INR 553 (including statutory duties paid by the Tie-up Manufacturing Units) which is considered good and receivable and is classified as other non- current assets (Refer Note 9). The Company had made a provision of INR 267 towards inventory reprocessing charges and write down in the value of inventory (Refer Note 10) for the year ended March 31, 2017. Further, a provision of INR 110 had been made towards employee retrenchment during the year ended March 31, 2017. The total provision in respect of the above items aggregating to INR 377 for the year ended March 31, 2017 had been disclosed as an exceptional item [Refer Note 28(a)]. During the current financial year, an additional provision of INR 180 has been made towards inventory reprocessing charges and write down in the value of inventory (Refer Note 10) and has been disclosed as an exceptional item. During the quarter ended September 30, 2017, the Company had received a letter from the Government of Bihar, stating that it is not liable to refund the aforesaid statutory duties under the Bihar Prohibition and Excise Act, 2016. Thereafter, on October 17, 2017, the Company filed a writ petition before the Hon'ble High Court of Patna seeking refund of the aforesaid statutory duties, i.e. VAT & Excise Duty paid by the Company to the Government of Bihar, which petition is presently pending adjudication.

During the quarter ended March 31, 2018, the Company, received a demand from BSBCL seeking demurrage charges for the stock that was lying in their warehouses post the imposition of prohibition till the same was shifted out of the state pursuant to the orders of the Supreme Court. The Company has refuted the claim and has filed a detailed response.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

47. Disposal of investment in United Spirits Nepal Private Limited

(a) On January 15, 2016, the Company had entered into an agreement for sale of its entire holding of 67,716 equity shares in United Spirits Nepal Private Limited ('USNPL'), constituting 82.46% of the paid up equity share capital of USNPL.

The following assets and liabilities pertaining to USNPL were reclassified as held for sale in relation to the disposal group as at March 31, 2017 [Refer Note 13]:

Assets held for sale	As at March 31, 2017
Property, plant and equipment	28
Inventories – Raw materials, packing materials and stores and spares	154
Inventories – Work in progress	22
Inventories – Finished goods	49
Trade receivables	28
Cash and cash equivalents	1
Bank balances other than cash and cash equivalents	-
Other financial assets	13
Other current assets	38
	333

Liabilities held for sale	As at March 31, 2017
Long term provisions	2
Short term provisions	18
Trade payables	84
Other current liabilities	54
Other financial liabilities	7
	165

(b) The sale was subject to various regulatory approvals and other conditions precedent. During the current year, the Company has secured the approval of the Reserve Bank of India under the Foreign Exchange Management Act, 1999, in respect of the sale of shares in USNPL. Following the receipt of other relevant regulatory approvals and fulfilment of other conditions precedent, on February 28, 2018, the Company completed the sale of all the 67,716 equity shares held by it in USNPL at a price of Nepalese Rupees 5,042 per share, amounting to a total consideration of Nepalese Rupees 341,424,072 (INR 213). This resulted in a gain on disposal of subsidiary of INR 148 which has been disclosed as an exceptional item [Refer Note 28(h)]. The sale consideration was remitted to India following the deduction of applicable taxes in Nepal. Following the completion of this sale, the Company holds no shares in USNPL, and USNPL has ceased to be a subsidiary of the Company. The Company will continue to have a licensing arrangement with USNPL pursuant to which, products bearing the Company's brand names will continue to be manufactured, marketed and sold in Nepal.

48. Capital and other commitments

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Capital commitments for property, plant and equipment	761	715
(b) Other commitments:	1,150	1,751
i. relating to advertisement, sales promotion and trade mark fee		
ii. towards minimum offtake commitment for purchase of bulk scotch from a related party	1,560	-
iii. relating to match playing fees and obligations basis the franchise agreement	1,000	-

(All amounts in INR Millions except for per share data or as otherwise stated)

49. Contingent Liabilities

Particulars	As at March 31, 2018	As at March 31, 2017
(a) Disputed dues against the Group from tax authorities not acknowledged as debts:		
(i) State Excise demands primarily for excess wastages and distillation losses	1,876	1,978
(ii) Central Excise matters	378	2
(iii) Service tax disputes	583	585
(iv) Income tax disputes (including interest)	7,277	7,220
(v) Sales tax and entry tax disputes in various states	1,216	2,079
(b) Others		
(i) Property, labour and civil litigations	2,687	2,692
(ii) Claims from suppliers/ erstwhile customers not acknowledged as debts	279	82

Management is optimistic of a favourable outcome in the above appeals / disputes based on legal opinions / management assessment.

It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

50. Research expenses

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Salaries and wages	57	48
Contribution to provident fund and other funds	5	5
Staff welfare expenses	1	1
Rent	5	4
Miscellaneous expenses	24	22
Total Research expenses	**92**	**80**

51. Fair value measurements:

Financial instruments by category

Particulars	As at March 31, 2018		As at March 31, 2017	
	Amortised cost	FVPL	Amortised cost	FVPL
Financial assets (net of allowances)				
Investments				
Mutual funds	-	1	-	1
Loans	456	-	432	-
Trade receivables	27,112	-	29,534	-
Cash and cash equivalents	1,419	-	785	-
Bank balances other than cash and cash equivalents	1,884	-	816	-
Other financial assets	3,132	-	1,537	
Total financial assets	**34,003**	**1**	**33,104**	**1**

Particulars	As at March 31, 2018		As at March 31, 2017	
	Amortised cost	FVPL	Amortised cost	FVPL
Financial liabilities				
Borrowings	34,303	-	41,436	-
Trade payables	14,551	-	12,247	-
Other financial liabilities	2,842	-	5,796	-
Total financial liabilities	**51,696**	**-**	**59,588**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

51. Fair value measurements *(continued)*

Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under Ind AS 109 and all financial instruments measured at fair value fall under Level 1.

Financial assets measured at fair value - recurring fair value measurements

As at March 31, 2018	Notes	Level 1	
		As at March 31, 2018	As at March 31, 2017
Mutual funds FVPL	4	1	1
Total financial assets		**1**	**1**

The carrying amounts of trade receivables, deposits and advances, trade payables, borrowings, capital creditors, dues to employees and other parties and cash and cash equivalents are same as their fair values, due to their short-term nature.

An explanation of each level follows is provided below:

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes listed equity instruments and mutual funds that have quoted price. The fair value of all equity instruments which are traded on the stock exchanges is valued using the closing price as at the reporting date. The mutual funds are valued using the closing NAV (Net Asset value).

Level 2: The fair value of financial instruments that are not traded in an active market (for example, traded bonds, over-the counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

52 (a) The Group

Subsidiaries/ Controlled Trust

The subsidiaries consolidated in these financial statements are set out below. Unless otherwise stated, they have share capital consisting of equity shares that are held by the Company, and the proportion of ownership interests held equals the voting rights held by the Company.

Name of the Subsidiary/ Controlled Trust	% of ownership interest		Country of Incorporation	Place of business	Principal business activity
	2018	2017			
Subsidiaries :					
Pioneer Distilleries Limited	75	75	India	India	Manufacture and sale of Spirits
Royal Challengers Sports Private Limited	100	100	India	India	BCCI – IPL franchise
Four Seasons Wines Limited	100	100	India	India	Manufacture of Wines
Tern Distilleries Private Limited	100	100	India	India	Dormant
Sovereign Distilleries Limited	100	100	India	India	Dormant
United Spirits Nepal Private Limited (upto February 28, 2018 - Refer Note 47)	-	82.46	Nepal	Nepal	Manufacture and trading of IMFL
United Spirits Singapore Pte Ltd	100	100	Singapore	Singapore	Trading of IMFL
McDowell & Co. (Scotland) Limited	100	100	Scotland	Scotland	Dormant
Asian Opportunities and Investments Limited	100	100	Mauritius	Mauritius	Dormant

(All amounts in INR Millions except for per share data or as otherwise stated)

52. The Group *(continued)*

Name of the Subsidiary/ Controlled Trust	% of ownership interest		Country of Incorporation	Place of business	Principal business activity
	2018	2017			
Palmer Investment Group Limited	100	100	British Virgin Islands	British Virgin Islands	Dormant
Shaw Wallace Overseas Limited	100	100	U.K.	U.K.	Dormant
UB Sports Management Overseas Limited	100	100	Jersey Islands	Jersey Islands	Dormant
Montrose International S.A	100	100	Panama	Panama	Dormant
USL Holdings Limited	100	100	British Virgin Islands	British Virgin Islands	Dormant
USL Holdings (UK) Limited	100	100	U.K.	U.K.	Dormant
United Spirits (Shanghai) Trading Company Limited	100	100	China	China	Dormant
United Spirits (UK) Limited	100	100	U.K.	U.K.	Dormant
United Spirits (Great Britain) Limited	100	100	U.K.	U.K.	Dormant
Liquidity Inc.	51	51	USA	USA	Dormant
Controlled trust :					
USL Benefit Trust	100	100	India	India	Investment in own share

Associate

Set out below is the associate of the Company as at March 31, 2018.

Name of entity	% of ownership interest 2018	% of ownership interest 2017	Country of incorporation	Place of business	Principal business activities
Wine Society of India Private Limited	33%	33%	India	India	Promotion of wine business in India

(b) Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. The Group has performed an assessment for impairment of goodwill on acquisition of subsidiaries owing to continuing losses incurred by certain subsidiaries and decline in the value of underlying net assets held by certain subsidiaries, based on which Group has recognised impairment charge on goodwill on acquisition pertaining to the relevant subsidiaries mentioned in the below table during the year ended March 31, 2018 and March 31, 2017.

The Group's cash-generating units (CGU) have been determined as individual subsidiaries. The Group has determined recoverable value or value in use whichever is higher of the CGU, as fair value, less cost of disposal. The Company has used the 'cost approach' valuation technique for determining fair value of its investment in subsidiaries using Level 3 inputs.

The entity wise detail of impairment charge recognised is set out below:

Description	United Spirts Nepal Private Limited	McDowell (Scotland) Limited	Tern Distilleries Private Limited	Pioneer Distilleries Limited	Sovereign Distilleries Limited	Four Seasons Wines Limited	Total
Carrying amount of goodwill as at April 1, 2016	**4**	**13**	**93**	**284**	**867**	**(136)**	**1,125**
Net assets of the subsidiary	169	614	318	2,874	388	477	4,840
Total	**173**	**627**	**411**	**3,158**	**1,255**	**341**	**5,965**
Recoverable amount	179	1,043	391	2,874	1,114	508	6,109
(Shortfall)/Surplus in recoverable amount over carrying value	6	416	(20)	(284)	(141)	167	
Impairment allowance for the year ended March 31, 2017 [Refer Note 28(f)]	**-**	**-**	**(20)**	**(284)**	**(141)**	**-**	**(445)**
Carrying amount of goodwill as at March 31, 2017	**4**	**13**	**73**	**-**	**726**	**(136)**	**680**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

52. (b) Goodwill *(continued)*

Description	United Spirts Nepal Private Limited	McDowell (Scotland) Limited	Tern Distill-eries Private Limited	Sovereign Distilleries Limited	Four Seasons Wines Limited	Total
Carrying amount of Goodwill as at April 1, 2017	**4**	**13**	**73**	**726**	**(136)**	**680**
Net assets of the subsidiary	-	392	270	299	427	1,388
Total	**4**	**405**	**343**	**1,025**	**291**	**2,068**
Recoverable amount		405	248	783	435	1,871
Derecognition on disposal	(4)	-	-	-	-	
(Shortfall)/Surplus over carrying value	-	-	(95)	(242)	144	
Impairment allowance for the year ended March 31, 2018 [Refer Note 28(f)]	**-**	**-**	**(73)**	**(242)**	**-**	**(315)**
Carrying amount of goodwill as at March 31, 2018	**-**	**13**	**-**	**484**	**(136)**	**361**

Sensitivity analysis

The below table summarises the impact of increases/ decreases in fair values of property, plant and equipment included in determining the recoverable amounts above:

Key underlying values	Impact on impairment decrease / (increase)	
	Year ended March 31, 2018	Year ended March 31, 2017
Change in fair value by:		
+ 5%	61	54
- 5%	(61)	(54)

(c) Details on Non-controlling Interest (NCI)

Set out below is summarised financial information for all the subsidiaries in which there is a non-controlling interest.

The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet line items	United Spirits Nepal Private Limited		Liquidity Inc.		Pioneer Distilleries Limited	
	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017
Current assets	-	311	7	1	2,150	923
Current liabilities	-	(253)	(120)	(121)	(3,445)	(2,938)
Net current assets	**-**	**58**	**(113)**	**(120)**	**(1,295)**	**(2,015)**
Non-current assets	-	29	66	-	3,767	3,710
Non-current liabilities	-	(3)	(158)	(162)	(2,216)	(2,143)
Net non-current assets	**-**	**26**	**(92)**	**(162)**	**1,551**	**1,567**
Net assets	**-**	**84**	**(205)**	**(282)**	**256**	**(448)**
Accumulated NCI	**-**	**14**	**(21)**	**(20)**	**157**	**(19)**

Summarised profit and loss line items	United Spirits Nepal Private Limited		Liquidity Inc.		Pioneer Distilleries Limited	
	For the year March 31, 2018	For the year March 31, 2017	For the year March 31, 2018	For the year March 31, 2017	For the year March 31, 2018	For the year March 31, 2017
Revenue	1,215	1,635	0	-	3,047	1,131
Profit for the year	38	49	(3)	(7)	700	(303)
Other comprehensive income	0	-	0	-	4	1
Total comprehensive income	38	49	(3)	(7)	704	(302)
Dividends paid to NCI	9	11	0	-	-	-
Total Comprehensive income allocated to NCI	7	9	(1)	(4)	176	(76)

(All amounts in INR Millions except for per share data or as otherwise stated)

52. The Group *(continued)*

Summarised cash flows	United Spirits Nepal Private Limited		Liquidity Inc.		Pioneer Distilleries Limited	
	For the year March 31, 2018	For the year March 31, 2017	For the year March 31, 2018	For the year March 31, 2017	For the year March 31, 2018	For the year March 31, 2017
Cash from operating activities	(11)	(0)	(0)	(0)	(143)	424
Cash flow from investing activities	(3)	(3)	-	(0)	(507)	(928)
Cash flow from financing activities	13	(49)	-	(0)	649	501
Net increase/ (decrease)in cash and cash equivalents	(1)	(52)	(0)	(0)	(1)	(3)

There were no transactions with non-controlling interests in the year ended March 31, 2018 and March 31, 2017.

(d) Share of profit and assets of subsidiaries / associate

Name of the entity	Net assets, i.e., Total assets minus total liabilities		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% as of consolidated profit/(loss)	Amount	% of consolidated profit/(loss)	Amount	% of consolidated profit/(loss)	Amount
Parent Company								
United Spirits limited	59.65%	14,510	88.91%	5,796	70.59%	12	88.66%	5,808
Overseas Subsidiaries								
Asian Opportunities and Investments Limited	0.12%	28	(1.01)%	(66)	0.00%	-	(1.01)%	(66)
Liquidity Inc.	(0.44)%	(107)	(0.05)%	(3)	0.00%	-	(0.05)%	(3)
McDowell & Co. (Scotland) Limited	1.60%	389	(0.05)%	(3)	0.00%	-	(0.05)%	(3)
Montrose International S.A	0.00%	1	(1.24)%	(81)	0.00%	-	(1.24)%	(81)
United Spirits Nepal Private Limited	0.00%	-	0.57%	37	0.00%	-	0.57%	37
Palmer Investment Group Limited	0.02%	4	0.06%	4	0.00%	-	0.06%	4
UB Sports Management Overseas Limited	0.01%	3	(0.15)%	(10)	0.00%	-	(0.15)%	(10)
United Spirits Singapore Pte Ltd	(0.05)%	(12)	(0.08)%	(5)	0.00%	-	(0.08)%	(5)
United Spirits (UK) Limited	0.01%	3	(0.46)%	(30)	0.00%	-	(0.46)%	(30)
USL Holdings Limited	2.08%	506	(0.28)%	(18)	0.00%	-	(0.28)%	(18)
USL Holdings (UK) Limited	0.23%	55	(0.49)%	(32)	0.00%	-	(0.49)%	(32)
United Spirits (Shanghai) Trading Company Limited	0.01%	2	(0.02)%	(1)	0.00%	-	(0.02)%	(1)
United Spirits (Great Britain) Limited	0.83%	202	(0.46)%	(30)	0.00%	-	(0.46)%	(30)
Shaw Wallace Overseas Limited	0.06%	14	(0.02)%	(1)	0.00%	-	(0.02)%	(1)
Sub-total		**1,088**		**(239)**		**-**		**(239)**
Indian Subsidiaries/ controlled trust								
Four Seasons Wines Limited	1.76%	428	(1.83)%	(119)	(5.88)%	(1)	(1.84)%	(120)
Pioneer Distilleries Limited	15.81%	3,845	10.74%	700	17.65%	3	10.76%	703
Royal Challengers Sports Private Limited	15.25%	3,709	5.86%	383	0.00%	-	5.86%	383
Sovereign Distilleries Limited	1.23%	299	(1.84)%	(120)	5.88%	1	(1.82)%	(119)
Tern Distilleries Private Limited	1.11%	271	(0.97)%	(63)	5.88%	1	(0.95)%	(62)
USL Benefit Trust	0.17%	41	-	-	-	-	-	-
Sub-total		**8,593**		**781**		**4**		**785**
Minority interest in subsidiaries								
United Spirits Nepal Private Limited	0.00%	0	0.11%	7	0.00%	-	0.11%	7
Liquidity Inc.	(0.09)%	(21)	(0.02)%	(1)	0.00%	-	(0.02)%	(1)
Pioneer Distilleries Limited	0.65%	157	2.68%	175	6.18%	1	2.69%	176
		136		**181**		**1**		**182**
Associates								
Wine Society of India Private Limited	0.00%	0	0.00%	-	0.00%	-	0.00%	-
Total	**100%**	**24,327**	**100.00%**	**6,519**	**100.00%**	**17**	**100%**	**6,536**

Note: Net assets given above exclude inter-company balances. Share in profit or loss, other comprehensive income and total comprehensive income above exclude exchange gain/loss on restatement of inter-company loans but is net of finance cost on inter company loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

(All amounts in INR Millions except for per share data or as otherwise stated)

53. Pioneer Distilleries Limited (PDL)

Capital advances considered good includes an amount of INR 199 (2017: INR 199) being advances paid towards purchase of land pursuant to an "agreement to sell" entered by PDL with the owners of the land. PDL is in the process of resolving certain matters and expects to enter into a definitive sale agreement and have the same registered in due course.

54. Sovereign Distilleries Limited (SDL)

SDL had earlier paid advance of INR 34 (2017: INR 34)and had incurred registration charges of INR 1 (2017: INR 1) both of which were disclosed as capital advances for purchase of land. Subsequently, a case has been filed by the land owners against SDL and the erstwhile promoters for declaration of ownership and vacant possession of the land belonging to them. SDL has filed written statement along with a counter claim before the Honourable Senior Civil Judge. Based on the legal opinion, the management is optimistic of resolving the issues in due course. Out of the total amount mentioned above, SDL has made a provision of INR 18 for the advances paid where it expects the outcome of this proceeding to have a material impact on its financial statements.

55. Long term contracts, including derivative contracts

The Group does not have any derivative contracts as at March 31, 2018. The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is necessary based on the review of such contracts as at year end.

56. Details of Specified Bank Notes (SBN) held and transacted during the period from November 8, 2016 to December 30, 2016:

	Specified bank notes	Other denomination notes	Total
Closing cash in hand as at November 8, 2016	1,220,000	479,185	1,699,185
(+) Receipts not permitted*	145,500		145,500
(+) Permitted receipts	-	1,721,798	1,721,798
(-) Permitted payments	104,000	969,580	1,073,580
(-) Amount deposited in banks	1,261,500	781,110	2,042,610
Closing Cash in Hand as at December 30, 2016	-	**450,293**	**450,293**

* includes INR 17,500 which were returned by employees from imprest balances.

57. Term liability towards franchise right

The Group through its subsidiary RCSPL holds the perpetual right of the Bangalore Franchise of BCCI-IPL for 20 over tournaments. Although this right is perpetual, the management believes that it would be prudent to consider this having a 'finite' rather than an 'infinite' life. The limited over version of the game which was first introduced in 1970s is continuing even now after 48 years and an even shorter version (20 over) has been introduced which is more popular than the 50 over format. The Management has held discussion internally as well as with other experts in the field on the subject of useful life and the period of amortisation. Although the Management regards the useful life as indefinite, as a measure of prudence a useful life of 50 years is considered as appropriate and the rights are amortised over 50 years having regard to the following factors:

i. The game of cricket has been in existence for over 100 years and there is no indication of interest in the game and the commercial prospects waning and the shorter version of the game is increasingly popular.

ii. The commercial exploitation of the shorter version is on an increasing scale and is expected to reach the scale which other games like soccer have reached, globally.

iii. This industry (cricket) is, therefore, highly stable and the market demand for this game is likely to remain for at least 50 years with its spread to many countries.

iv. IPL and its teams have acquired brand status and teams are not identified with countries or geographies but with brand names.

(All amounts in INR Millions except for per share data or as otherwise stated)

v. The franchisees have the intent and ability to provide the necessary financial and other resources required to obtain the expected future economic benefits from this for at least 50 years.

Franchisee fee payments to be made up to 2017 have been capitalised. From and including 2018 an amount equal to 20% of the franchise income received in respect to each year is payable as franchise fees. The carrying value of the capitalized right is assessed for impairment at every balance sheet date.

The carrying amount of Franchise Right as at March, 31 2018 is INR 3,718 (2017: INR 3,811) to be amortised over the remaining period of 40 years (2017: 41 years).

The governing bodies of this game of cricket in India and globally, over a period of last 7 to 15 years have experienced annualized growth of 19% to 35% in their media / central rights. The Management believes that given the sheer appeal of this format, which has surpassed all expectations, an annualised growth 5% on the base of 2018-19 (after considering the growth from 2017-18 to 2018-19). The Group share of revenue from central rights allocated by BCCI is based on communication received from BCCI in this behalf.

Management has tested for impairment of Franchise rights at the Balance sheet date based on the cash flow projection using the above assumption, which did not indicate any impairment.

58. Previous year figures have been regrouped / reclassified to conform to the current year's classification.

As per our report of even date attached

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

for **and on behalf of the Board of Directors**

Mahendra Kumar Sharma
Chairman

Anand Kripalu
Managing Director &
Chief Executive Officer

Pradip Kanakia
Partner
Membership number: 039985

V K Viswanathan
Director

Sanjeev Churiwala
Executive Director &
Chief Financial Officer

Place: Bengaluru
Date: May 24, 2018

Place: Bengaluru
Date: May 24, 2018

V. Ramachandran
EVP & Company Secretary

Notes

Notes

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INDIA

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