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Review report to the Board of Directors of United Spirits Limited

1. We have reviewed the accompanying statement of unaudited financial results ('the Statement') of United Spirits Limited ('the Company') for the quarter and six months ended 30 September 2015 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the Management and have not been reviewed by us. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review. Attention is drawn to the fact that the figures for the quarter and six months ended 30 September 2014 are adjusted for the effects of the demerger as stated in note 2 to the financial results.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Internal Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. As stated in Notes 6 (a) and (d) to the Statement; and as qualified in our report dated 27 May 2015 with respect to the audited financial results for the year ended 31 March 2015 and in our review report dated 23 July 2015 with respect to the unaudited financial results for the three months ended 30 June 2015; certain parties who had previously given the required undisputed balance confirmations for the year ended 31 March 2013, claimed in their balance confirmations to the Company for the year ended 31 March 2014 that they had advanced certain amounts to certain alleged UB Group entities and that the dues owed by such parties to the Company would, to the extent of the amounts owing by such alleged UB Group entities to such parties in respect of such advances, be paid / refunded by such parties to the Company only upon receipt of their dues from such alleged UB Group entities. These dues of such parties to the Company were on account of advances by the Company in the earlier years under agreements for enhancing capacity, obtaining exclusivity and lease deposits in relation to Tie-up Manufacturing Units ("TMUs"); agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board of Directors of the Company ("Board"), a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, under the instructions of the Board; and Management's assessment of recoverability, an aggregate amount of Rs 6,495.5 million (including interest claimed) was provided in the financial statements for the financial year ended 31 March 2014 and was disclosed as prior period items. During the year ended 31 March 2015, an additional provision of Rs 216 million was made for interest claimed during the year. The Company has not made provision for any unclaimed interest on these amounts. During the quarter ended 30 September 2015, the Company has reached a settlement with one of the parties pursuant to which the party has withdrawn claims aggregating Rs 278.60 million. Accordingly, provision amounting to Rs.278.60 million has been written back and disclosed as a part of Other operating income.



During the year ended 31 March 2014, the Board had also directed a further detailed and expeditious inquiry in relation to the above matter, the role of individuals involved and potential non-compliance (if any) with the provisions of the Companies Act, 1956 and other regulations applicable to the Company in relation to such transactions, and the possible existence of any other transaction of a similar nature (hereafter "the Inquiry"). While the Inquiry has since been completed, with regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which documents dealt with transactions involving the counterparties referred to above. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified concerns as to the propriety of the underlying transactions.

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

4. As stated in Note 7 to the Statement; and as qualified in our report dated 27 May 2015 with respect to the audited financial results for the year ended 31 March 2015 and in our review report dated 23 July 2015 with respect to the unaudited financial results for the three months ended 30 June 2015; as per the requirements of the equity listing agreements entered into by the Company with various stock exchanges in India and various circulars and regulations issued by the Securities and Exchange Board of India ("SEBI") and applicable provisions of the Companies Act, 2013 (hereafter "the Act") the Company sought approval of its equity shareholders for certain agreements in the extraordinary general meeting (hereafter "the EGM") held on 28 November 2014. Some of the agreements, as detailed in the aforesaid note, were not approved by the equity shareholders in the aforesaid EGM. The Company has sought clarification/direction from SEBI with respect to the implications arising from the non-approval of the said agreements. Pending the clarification/direction from the SEBI, during the year ended 31 March 2015, the Company has recognised the underlying expenses pursuant to these agreements upto 28 November 2014 aggregating Rs 1,357 million. The Company has not recognised charges arising out of non-approved agreements aggregating Rs 1,417 million for the period from 29 November 2014 to 30 September 2015 (Including Rs 467 million and Rs 931 million for the quarter and six months ended 30 September 2015). Further, subsequent to 28 November 2014, in response to the letters received by the Company from some of the concerned counterparties, the Company has made payments amounting to Rs 80 million (including Rs 6 million paid during the current quarter) to such counterparties with respect to the dues for services received prior to 28 November 2014 specifically stating that the said amounts would be refundable to the Company if it is determined that such amounts were not payable by the Company in view of the shareholders not having approved the respective agreements. Pending the resolution of this matter, we are unable to comment on the accounting treatment of the expenses under the agreement, balance due to/from the respective counterparties and any other implications resulting from such non-approval.



5. As stated in note 8 to the Statement; and as qualified in our report dated 27 May 2015 with respect to the audited financial results for the year ended 31 March 2015 and in our review report dated 23 July 2015 with respect to the unaudited financial results for the three months ended 30 June 2015; the Managerial remuneration for the year ended 31 March 2015 aggregated Rs 65 million and Rs 153 million towards remuneration of the Managing Director and Chief executive Officer (MD & CEO) and the Executive Director and Chief Financial Officer (ED & CFO), respectively. The aforesaid amounts includes remuneration in excess of the limits prescribed under the provisions of Schedule V to the Act. The Company is in the process of obtaining the requisite approval from the Central Government for such excess remuneration. In the absence of the required approval, we are unable to assess the impact of such excess remuneration on the financial results of the Company.
6. Without qualifying our opinion, we draw attention to the following matters stated previously in our auditor's report dated 27 May 2015 with respect to the audited financial results for the year ended 31 March 2015 and in our review report dated 23 July 2015 with respect to the unaudited financial results for the three months ended 30 June 2015 as emphasis of matters with respect to:
 - (a) Note 6 (b) to the Statement, which states that, during the year ended 31 March 14, various pre-existing loans / advances / deposits (together with interest) due from United Breweries (Holdings) Limited ("UBHL") by the Company and its subsidiaries aggregating Rs 13,374 million on 3 July 2013, were consolidated into a single loan agreement dated 3 July 2013 entered into between the Company and UBHL. As per the terms of the said loan agreement, an amount of Rs 1,911 million (gross of tax) was payable by UBHL to the Company towards the interest payable as of January 2015. However, the Company is yet to receive such interest payment from UBHL. The Company has received letters from UBHL stating that it is involved in litigations with various creditors of Kingfisher Airlines Limited in different Courts all over the country, and that some of the winding up petitions filed against UBHL have been admitted by the High Court of Karnataka. As a result of the above and other relevant factors, during the year ended 31 March 2015, the Company has provided the remaining principal balance of the loan aggregating Rs 9,955 million (in addition to the Rs 3,303 million that was provided for during the year ended 31 March 2014) and has not recognised interest income of Rs 318 million and Rs 635 million for the quarter and six months ended 30 September 2015 respectively;
 - (b) Note 3 to the Statement, wherein it is stated that Tern Distilleries Private Limited, a wholly-owned subsidiary of the Company ("TERN") will be amalgamated with the Company pursuant to a Draft Rehabilitation Scheme and applicable provisions of Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date 1 April 2013 ("TERN Scheme"). The entire operations of TERN comprise transactions with the Company. The net impact on the stand-alone financial performance of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company approved the TERN Scheme at their EGM held on 18 March 2014 and the approval by the Board for Industrial and Financial Reconstruction is awaited. Pending approval of the TERN Scheme, no effect has been given in the Statement;



- (c) Note 10 to the Statement, wherein it is stated that during the year ended 31 March 2014, the Company decided to prepay credit facilities availed from a bank amounting to Rs 6,217 million secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust. The Company deposited a sum of Rs 6,280 million including prepayment penalty of Rs 40 million with the bank and instructed the bank to debit the amount from the cash credit account towards settlement of the loan and release the assets / shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the same and a case is pending before the Honourable High Court of Karnataka. On 31 March 2015, the bank demanded an amount of Rs 474 million towards principal and interest on the said loan, which the Company contested in the High Court of Karnataka. As per the order of the Honourable High Court of Karnataka, the Company plans to engage with the bank to commence discussions. Pending closure of this matter, the loan amount and balance available in cash credit account is presented on net basis in the Statement as at 31 March 2015 and as at 30 September 2015. Furthermore, during the quarter, the bank obtained an ex parte injunction 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 have, upon receiving notice of the said order, filed its objections against such ex parte order;
- (d) Note 9 to the Statement, wherein it is stated that (i) the Company has received a notice from the Ministry of Corporate Affairs for an inspection, under section 206(5) of the Act, of the books of accounts and other books and papers of the Company; (ii) the Company has received a notice under Section 131 of the Income Tax Act, 1961; (iii) the Company has received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports; and (iv) the Company has received a letter from the Institute of Chartered Accountants of India seeking a copy of the Inquiry Report, pursuant to Section 21C of the Chartered Accountants Act, 1949; and
- (e) Note 6 to the Statement, wherein it is stated that the Inquiry noted certain regulatory non-compliances with respect to the Companies Act, 1956, the listing agreement with the stock exchanges in India and other regulations as mentioned in the said note, and that the financial impact of these non-compliances on the Company were estimated by Management to be not material.
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7. Based on our review conducted as above, except for matters stated in paragraphs 3, 4, and 5 above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results for the quarter and six months ended 30 September 2015 prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

for B S R & Co. LLP

Chartered Accountants

Firm registration number: 101248W/W-100022



Sunil Gaggar

Partner

Membership number: 104315

Place: Bangalore

Date: 2 November 2015