

UNITED SPIRITS LIMITED
A DIAGEO Group Company
'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

(Rs. In Crores)

Part I: Statement of Standalone Unaudited Results for the quarter and six months ended September 30, 2015

	3 months ended September 30, 2015	Previous 3 months ended June 30, 2015	3 months ended September 30, 2014	Six months ended September 30, 2015		Previous year ended March 31, 2015
	Unaudited	Unaudited	Unaudited (Refer note 2)	Unaudited	Unaudited (Refer note 2)	Audited
1 Income from operations	5,215.77	5,146.11	5,149.40	10,361.88	9,913.91	20,502.54
Less: Excise duty	3,093.60	3,157.71	3,141.60	6,251.31	6,123.41	12,550.89
(a) Net sales / Income from operations	2,122.17	1,988.40	2,007.80	4,110.57	3,790.50	7,951.65
(b) Other operating income, net	23.30	17.14	21.84	40.44	36.61	97.69
Total Income from operations (net)	2,145.47	2,005.54	2,029.64	4,151.01	3,827.11	8,049.34
2 Expenses:						
a) Cost of materials consumed	838.06	940.05	952.38	1,778.11	1,865.56	3,578.23
b) Purchase of stock-in-trade	351.77	319.21	224.94	670.98	396.21	1,211.03
c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	52.27	(113.68)	28.32	(61.41)	(20.87)	(20.50)
d) Employee benefits expense	167.15	164.83	135.46	331.98	268.51	618.50
e) Depreciation and amortisation expense	24.22	25.04	24.47	49.26	48.80	109.74
f) Other expenses:						
i) Advertisement and sales promotion	167.26	216.75	178.40	384.01	383.81	786.80
ii) Others	251.27	276.41	276.75	527.68	559.82	1,364.78
Total expenses	1,852.00	1,828.61	1,820.72	3,680.61	3,501.84	7,648.58
3 Profit / (loss) from operations before other income, finance costs and exceptional items (1-2)	293.47	176.93	208.92	470.40	325.27	400.76
4 a) Other income	4.18	4.42	33.91	8.60	65.02	159.98
b) Exchange difference - gain / (loss), net	1.84	10.15	(2.00)	11.99	(2.11)	(24.25)
5 Profit / (loss) from ordinary activities before finance costs and exceptional items (3+4)	299.49	191.50	240.83	490.99	388.18	536.49
6 Finance costs	110.00	128.38	155.27	238.38	310.20	592.96
7 Profit / (loss) from ordinary activities after finance costs but before exceptional items (5-6)	189.49	63.12	85.56	252.61	77.98	(56.47)
8 Exceptional items (net) (Refer Note 13)	799.45	-	(73.91)	799.45	(116.70)	(1,871.67)
9 Profit / (loss) from ordinary activities before tax (7 + 8)	988.94	63.12	11.65	1,052.06	(38.72)	(1,928.14)
10 Tax expense	59.64	43.20	38.55	102.84	47.14	28.34
11 Net profit / (loss) from ordinary activities after tax (9-10)	929.30	19.92	(26.90)	949.22	(85.86)	(1,956.48)
12 Extraordinary Items (Net of tax expense)	-	-	-	-	-	-
13 Net profit / (loss) for the period (11-12)	929.30	19.92	(26.90)	949.22	(85.86)	(1,956.48)
14 Paid-up equity share capital (Face value Rs.10)	145.33	145.33	145.33	145.33	145.33	145.33
15 Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year						1,796.75
16 Earnings per share of Rs.10 each (not annualised):						
a) Basic	63.94	1.37	(1.85)	65.32	(5.91)	(134.62)
b) Diluted	63.94	1.37	(1.85)	65.32	(5.91)	(134.62)

Part II: Select Information for the quarter and six months ended September 30, 2015

A. Particulars of shareholding						
1 Public shareholding						
- Number of Shares	59,766,064	59,766,064	59,766,064	59,766,064	59,766,064	59,766,064
- Percentage of shareholding	41.13%	41.13%	41.13%	41.13%	41.13%	41.13%
2 Promoters and Promoter Group Shareholding:						
a) Pledged / Encumbered						
- Number of shares	3,213,820	3,213,820	3,213,820	3,213,820	3,213,820	3,213,820
- Percentage of shares	3.76%	3.76%	3.76%	3.76%	3.76%	3.76%
(as a % of the total shareholding of promoter and promoter group)						
- Percentage of shares	2.21%	2.21%	2.21%	2.21%	2.21%	2.21%
(as a % of the total share capital of the Company)						
b) Non -encumbered						
- Number of shares	82,347,859	82,347,859	82,347,859	82,347,859	82,347,859	82,347,859
- Percentage of shares	96.24%	96.24%	96.24%	96.24%	96.24%	96.24%
(as a % of the total shareholding of promoter and promoter group)						
- Percentage of shares	56.66%	56.66%	56.66%	56.66%	56.66%	56.66%
(as a % of the total share capital of the Company)						
B. Investor Complaints						
Pending at the beginning of the quarter		Nil				
Received during the quarter		3				
Disposed of during the quarter		3				
Remaining unresolved at the end of the quarter		Nil				

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Statement of Assets & Liabilities

(Rs. In Crores)

	As at current half year end September 30,	As at previous year end March 31,
	2015	2015
	Unaudited	Audited
A.EQUITY AND LIABILITIES		
1. Shareholders' funds		
a) Share capital	145.33	145.33
b) Reserves and surplus	2,629.95	1,796.75
	2,775.28	1,942.08
2. Non-current liabilities		
a) Long-term borrowings	1,207.87	1,509.51
b) Other long-term liabilities	37.68	43.92
c) Long-term provisions	69.35	66.11
	1,314.90	1,619.54
3. Current liabilities		
a) Short-term borrowings	2,785.73	3,621.32
b) Trade payables	722.97	718.01
c) Other current liabilities	968.85	868.62
d) Short-term provisions	547.22	248.37
	5,024.77	5,456.32
	9,114.95	9,017.94
B. ASSETS		
1. Non-current assets		
a) Fixed assets	1,204.71	1,133.96
b) Non-current investments	62.67	430.36
c) Deferred tax assets (net)	94.10	87.31
d) Long-term loans and advances	2,732.07	2,706.04
e) Other non-current assets	0.28	0.13
	4,093.83	4,357.80
2. Current assets		
a) Current investments	120.73	120.71
b) Inventories	1,687.00	1,554.24
c) Trade receivables	2,239.34	1,745.48
d) Cash and bank balance	55.67	239.69
e) Short-term loans and advances	856.27	912.82
f) Other current assets	62.11	87.20
	5,021.12	4,660.14
	9,114.95	9,017.94

United Spirits Limited
Unaudited Financial Results for the quarter ended September 30, 2015

Notes:

1. United Spirits Limited ("the Company") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing / brand franchise, which constitute a single business segment. The Company is primarily organized into two main geographic segments namely India and Outside India. However, the Company's operations outside India did not exceed the quantitative threshold for disclosure in standalone financial results envisaged in AS-17 on "Segment Reporting" notified under the Companies (Accounting Standard) Rules 2006. In view of the above, both primary and secondary reporting disclosures for business/ geographical segment as envisaged in AS-17 are not applicable to the Company.
2. For the purpose of disclosures in these financial results, the figures for the quarter and six months ended September 30, 2014, have been adjusted to give effect to the demerger of the Chennai Unit from the appointed date of April 1, 2013.
3. The Board of Directors at their meeting held on January 8, 2014, approved the amalgamation of Tern Distilleries Private Limited, a wholly owned subsidiary of the Company ("TERN") pursuant to a Draft Rehabilitation Scheme and applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 with the appointed date as April 1, 2013 ("TERN Scheme"). The entire operations of TERN comprise transactions with the Company. The net impact on the financial results of the Company from such amalgamation is expected to be insignificant when effected. The equity shareholders of the Company approved the TERN Scheme at their Extraordinary General Meeting held on March 18, 2014 and the approval by the Board for Industrial and Financial Reconstruction ("BIFR") is in progress. Pending approval of the TERN Scheme, no effect has been given in the accompanying statement of financial results.
4. The Scheme of Amalgamation between the Company and SW Finance Co. Limited, a wholly owned subsidiary of the Company ("SWFCL"), under Section 391 and 394 read with Sections 100 to 103 of the Companies Act, 1956 (the "Scheme") with the appointed date of January 1, 2014 has been sanctioned by the Hon'ble High Court of Karnataka and Hon'ble High Court of Judicature at Bombay under the orders dated June 12, 2015 and August 28, 2015 respectively. Upon necessary filings with the respective Registrars of Companies, the Scheme has become effective from September 28, 2015 (the 'Effective Date') and effect thereof have been given in these financial results. Consequently:
 - (a) the Share capital of SWFCL to the extent held by SWFSL Trust stood cancelled;
 - (b) the entire business and undertakings of SWFCL including all assets and liabilities, as a going concern transferred to and vested in the Company in accordance with the provisions of the Scheme with effect from the appointed date;
 - (c) the Authorised capital of the Company increased to Rs.719.20 Crores divided into 548,000,000 equity shares of Rs 10 each, 159,200,000 preference shares of Rs 10 each and 1,200,000 preference shares of Rs 100 each; and
 - (d) SWFCL ceased to be subsidiary of the Company, and as SWFCL was a wholly owned subsidiary (WOS) of the Company, no consideration was payable pursuant to amalgamation of

agreements for specific projects; or dues owing to the Company from customers. In response to these claims, under the instruction of the Board, a preliminary internal inquiry was initiated by the Management. Based on the findings of the preliminary internal inquiry by the Management, the Management's assessment of recoverability and other considerations, as a matter of prudence, an aggregate amount of Rs.649.55 Crores (including interest claimed) was provided in the financial statements for the financial year ended March 31, 2014 and was disclosed as a prior period item. Management has sought confirmations of balances from these counterparties for the year ended March 31, 2015, but have not received responses from some of them.

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

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

In connection with the recovery of the funds that were diverted from the Company and/or its subsidiaries, pursuant to the decision of the Board at its meeting held on April 25, 2015, the Company is in the process of initiating steps for recovery against the relevant parties, so as to seek to expeditiously recover the Company's dues from such parties, to the extent possible. During the quarter ended September 30, 2015, the Company has reached a settlement with one of the parties pursuant to which the party has withdrawn claims aggregating Rs.27.86 Crores. Accordingly, provision amounting to Rs.27.86 crores has been written back and disclosed as a part of Other operating income (net).

- b) Certain pre-existing loans/ deposits/ advances were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ("UBHL") and were in existence as on March 31, 2013. In addition, the amounts owed by UBHL to the Company's wholly-owned subsidiaries had been assigned by such subsidiaries to the Company and recorded as loans from such subsidiaries in the books of the Company. Such dues (together with interest) aggregating Rs.1,337.40 Crores, were consolidated into, and recorded as, an unsecured loan by way of an agreement entered into between the Company and UBHL on July 3, 2013. The interest rate under the above mentioned loan agreement with UBHL is 9.5% p.a., with the interest to be paid at six-monthly intervals starting at the end of 18 months from the effective date of the loan agreement. The loan has been granted for a period of eight years and is payable in three annual instalments commencing from the end of 6th anniversary of the effective date of the loan agreement.

Pursuant to the directions of the Board, the Inquiry also included a review of documentation to further understand and assess elements of and background to the above loan

and claims against the relevant parties mentioned in the Inquiry Report to expeditiously recover the Company's dues from such parties, to the extent possible.

- d) With regard to the possible existence of any other transaction of a similar nature, the Inquiry identified references to certain additional parties ("Additional Parties") in various documents, which also dealt with transactions involving the counterparties referred to in the notes to the Company's audited financial statements for the previous financial year. The Inquiry also identified certain additional matters ("Additional Matters") where the documents identified raised concerns as to the propriety of the underlying transactions. The Management made the following provisions with respect to such transactions: (a) Rs.67.81 Crores made in the Company's financial results for the financial year ended March 31, 2015, (b) Rs.44.54 Crores made in the Company's subsidiaries' financial statements for the financial year ended March 31, 2015, (c) Rs.15.70 Crores made in the year ended March 31, 2014 in the Company's financial statements, and (d) Rs.108.71 Crores made in the year ended March 31, 2014 in the Company's consolidated financial statements. The Management believes these provisions are adequate and no additional material adjustments are likely to be required in relation thereto.

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

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

As stated in the EGM notice dated October 31, 2014, each of the above-mentioned transactions were duly approved by the board of directors of the Company, prior to entering into the agreement corresponding to such transaction. The EGM notice further stated that while the April 17 Circular mandates that all existing material related party transactions be placed before the shareholders for their approval by way of a special resolution, thus far, the consequences of any non-approval of such existing transactions by the shareholders by the requisite majority is unclear. It is

- shareholders not having approved the respective agreements. Pending the clarifications / directions from SEBI, the Company has not made any payments to the respective counterparties under the agreements in (c) to (g) and (i) above for the period subsequent to November 28, 2014 and has considered these amounts as contingent liabilities. Also see Note 6(b) above in relation to the loan agreement listed above. During the six months ended September 30, 2015, the Company received communications from some of the counterparties identified above stating that they do not qualify as related parties of the Company, to which the Company has responded.
8. The managerial remuneration for the financial year ended March 31, 2015 aggregating Rs.6.49 Crores and Rs.15.31 Crores towards remuneration of the MD & CEO and the Executive Director and Chief Financial Officer ("ED & CFO"), respectively, was approved by the shareholders of the Company at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 ("Act"). Accordingly, the Company is in the process of obtaining the requisite approval from the Central Government for such excess remuneration.
9. The following letters/ notices were received by the Company with respect to the matters under Inquiry.
- a) The Company has received a notice from the Ministry of Corporate Affairs for an inspection, under Section 206(5) of the Act, of the books of accounts and other books and papers of the Company. A notice under Section 131 of the Income Tax Act, 1961 has also been received. The Company is cooperating fully with the authorities in relation to the same.
 - b) The Company has also received letters from erstwhile auditors who served as the Company's statutory auditors during the period covered by the Inquiry, seeking to understand the impact of the findings of the Inquiry on their respective audit reports. Any remedial actions proposed by the previous auditors will be considered by the Company in the light of applicable legal provisions.
 - c) As directed by the Board, the Company provided a copy of the Inquiry Report to its statutory auditors for their review and further actions as may be required. Following this, the Audit Committee of the Board has received from the statutory auditors a report under Section 143(12) of the Act and the relevant rules thereunder, seeking the Audit Committee's reply/ observations. During the previous quarters, the Audit Committee had provided its reply/ observations to the statutory auditors. Thereafter, the statutory auditors issued a report to the Central Government under Section 143(12) of the Act and the relevant rules thereunder.
 - d) The Company has also received letters from the National Stock Exchange Limited ("NSE") pursuant to SEBI circular no. CIR/CFD/DIL/7/2012 dated August 3, 2012 in relation to Form B, along with audited financial statements for the financial year ended March 31, 2014. SEBI has directed the NSE to advise the Company to suitably rectify/ provide relevant information/ explanations on the qualifications raised by the statutory auditors. The Company has suitably addressed the same to the extent possible and responded to the NSE's letters.

value of Rs.15 Crores). The profit on sale of UBL shares amounting to Rs.853.60 cores has been disclosed as a part of Exceptional items.

15. Subsequent to the quarter ended September 30, 2015, USL's wholly owned subsidiary Asian Opportunities & Investments Limited (AOIL), has signed an agreement to sell its entire interest in Bouvet Ladubay S.A. (and its wholly owned subsidiary Chapin Landais S.A.S). The sale is expected to complete in early November after satisfaction of certain conditions precedent. Based on the above agreement to sell, the Company has re-assessed the value of its investments in and advances to AOIL and trued up the provision amounting to Rs.8.86 Crores during the quarter.
16. Previous period's figures have been regrouped/ reclassified as per the current period's presentation for the purpose of comparability.
17. The above unaudited results have been reviewed by the audit committee of the Board and approved by the Board of Directors at its meeting held on November 2, 2015.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Bangalore
November 2, 2015