

United Spirits Limited
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July 20, 2017

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

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

Dear Sir/Madam,

Sub: Revised format of the financial results for the quarter and year ended March 31, 2017 exactly in Ind AS compliant Schedule III

This is in response to the query raised by BSE Ltd, vide email dated July 10, 2017 for submission of financial results as per the revised Schedule III. We are enclosing herewith the revised format of financial results for the quarter and year ended March 31, 2017 as per revised Schedule III.

As per the revised disclosure,

1. Other income is shown under total income as separate line item [point 1(b)],
2. Exchange difference – gains are now shown part of “Other income – point 1(b)” and exchange difference - losses are now shown part of “Other expenses – point 2(h)(ii)”.
3. The finance cost has been shown as part of “Expenses” under point 2(f) instead separate line item.
4. The current tax and deferred tax have been shown separately (point no. 6) under tax expense instead of one line item.
5. Other Comprehensive Income Items that will not be reclassified to profit or loss (point 8A) and Items that will be reclassified to profit or loss (point 8B) has been elaborated to disclose their respective composition.

6. Profit, Other comprehensive income and Total comprehensive income attributable to "Owners" and "Non-controlling interest" are now separately disclosed in points 10a, 10b and 10c respectively.

With the above changes, the profit before tax and net profit after tax remain the same as we originally published earlier on May 30, 2017. Kindly accept the above submissions on record and upload on Stock exchange website.

Thanking you,

Yours faithfully,
for UNITED SPIRITS LIMITED,



V. Ramachandran
Company Secretary

UNITED SPIRITS LIMITED

A DIAGEO Group Company

'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

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Statement of Results for the quarter and year ended March 31, 2017

(Rs. in Millions)

	Standalone				Consolidated		
	3 months ended March 31, 2017	3 months ended December 31, 2016	3 months ended March 31, 2016	Year ended March 31, 2017	Previous year ended March 31, 2016	Year ended March 31, 2017	Previous year ended March 31, 2016
	Refer Note 16	Unaudited	Refer Note 16	Audited		Audited	
1 Income							
(a) Revenue from operations	64,852	70,432	59,373	253,988	234,442	257,568	239,209
(b) Other income	185	346	894	1,111	1,057	1,053	436
Total income	65,037	70,778	60,267	255,099	235,499	258,621	239,645
2 Expenses:							
(a) Cost of materials consumed	10,180	13,298	11,133	46,342	48,409	46,755	47,370
(b) Purchase of stock-in-trade	496	699	244	2,058	1,956	1,974	1,793
(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	630	232	730	444	(1,959)	568	(1,591)
(d) Excise duty	44,602	45,879	38,939	168,512	151,960	169,393	154,260
(e) Employee benefits expense	1,210	1,615	1,418	6,674	6,427	6,882	6,800
(f) Finance costs	853	922	1,009	3,690	4,469	3,751	4,574
(g) Depreciation and amortisation expense	418	313	271	1,323	1,017	1,886	1,572
(h) Others:							
(i) Advertisement and sales promotion	1,645	2,042	1,801	6,667	6,138	6,734	6,154
(ii) Others expenses	3,480	3,722	3,950	13,581	12,647	15,370	14,777
Total expenses	63,514	68,722	59,495	249,291	231,064	253,313	235,709
3 Profit / (loss) before exceptional items and taxation (1-2)	1,523	2,056	772	5,808	4,435	5,308	3,936
4 Exceptional items (net) (Refer Note 15)	(2,908)	-	(317)	(3,262)	(1,280)	(3,681)	(274)
5 Profit / (loss) before taxation (3 + 4)	(1,385)	2,056	455	2,546	3,155	1,627	3,662
6 Income tax expense							
(a) Current tax	(1,018)	886	425	549	1,744	571	1,923
(b) Current tax relating to earlier years	-	-	118	-	568	-	568
(c) Deferred tax charge / (credit)	648	(306)	(74)	271	(349)	99	(236)
(d) MAT credit utilised/ (availed)	27	-	(27)	27	(27)	27	(27)
Total tax expense	(343)	580	441	847	1,936	697	2,228
7 Profit / (loss) for the period (5-6)	(1,042)	1,476	14	1,699	1,219	930	1,434
8 Other Comprehensive Income							
A. Items that will not be reclassified to profit or loss							
(i) Changes in fair value of FVOCI equity instruments	9	(9)	(15)	18	187	18	187
(ii) Remeasurements of post-employment benefit obligations	829	(33)	(104)	735	(165)	733	(177)
(iii) Tax relating to items that will not be reclassified to profit or loss	(254)	(0)	46	(254)	64	(254)	65
B. Items that will be reclassified to profit or loss							
(i) Exchange differences on translation of foreign operations	-	-	-	-	-	(29)	215
Total other comprehensive income, net of income tax	584	(42)	(73)	499	86	468	290
9 Total Comprehensive Income (7+8)	(458)	1,434	(59)	2,198	1,305	1,398	1,724
10a. Profit attributable to:							
Owners	(1,042)	1,476	14	1,699	1,219	1,001	1,383
Non-controlling interest	(1,042)	1,476	14	1,699	1,219	(71)	51
10b. Other comprehensive income attributable to:							
Owners	584	(42)	(73)	499	86	468	289
Non-controlling interest	584	(42)	(73)	499	86	-	1
10c. Total comprehensive income attributable to: (10a + 10b)							
Owners	(458)	1,434	(59)	2,198	1,305	1,469	1,672
Non controlling Interest	(458)	1,434	(59)	2,198	1,305	(71)	52
11 Paid-up equity share capital (Face value Rs.10)	1,453	1,453	1,453	1,453	1,453	1,453	1,453
12 Earnings per share of Rs.10/- each:							
a) Basic	(7.17)	10.16	0.10	11.69	8.39	7.06 *	9.75 *
b) Diluted	(7.17)	10.16	0.10	11.69	8.39	7.06 *	9.75 *

[* In calculating the weighted average number of outstanding equity shares during the period under consolidated financials, Company has reduced its own shares held by USL Benefit Trust (of which the Company is sole beneficiary)].

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Statement of assets and liabilities as at March 31, 2017

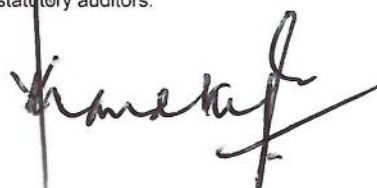
(Rs. in Millions)

	Standalone		Consolidated	
	As at March 31, 2017	As at March 31, 2016	As at March 31, 2017	As at March 31, 2016
Assets				
Non-current assets				
Property, plant and equipment	11,751	10,749	14,554	13,768
Capital work-in-progress	851	2,449	1,993	2,821
Investment properties	-	-	-	672
Goodwill	-	-	680	1,125
Intangible assets	121	13	3,932	3,975
Financial assets				
Investments	-	82	-	82
Loans	124	903	-	-
Other financial assets	1,310	526	1,311	526
Investments in subsidiaries	9,354	9,831	-	-
Deferred tax assets (net)	1,241	1,539	1,781	1,900
Advance income tax (net)	2,886	1,906	3,256	2,243
Other non-current assets	3,484	2,930	3,961	3,302
Total non-current assets	31,122	30,928	31,468	30,414
Current assets				
Inventories	18,538	18,999	19,276	19,519
Financial assets				
Investments	-	11	1	12
Trade receivables	29,605	23,140	29,534	23,032
Cash and cash equivalents	439	48	785	1,287
Bank balances other than cash and cash equivalents	84	79	87	81
Other financial assets	1,729	3,235	1,047	2,690
Other current assets	6,132	5,419	5,522	5,955
Assets classified as held for sale	316	66	1,239	303
Total current assets	56,843	50,997	57,491	52,879
Total assets	87,965	81,925	88,959	83,293
Equity and liabilities				
Equity				
Share capital	1,453	1,453	1,453	1,453
Other equity				
Reserves and surplus	17,925	15,619	16,403	14,826
Other reserves	-	68	-	68
Equity attributable to the owners of the Group	19,378	17,140	17,856	16,347
Non-controlling interests	-	-	(25)	56
Total equity	19,378	17,140	17,831	16,403
Non-current liabilities				
Financial liabilities				
Borrowings	8,569	7,057	8,697	7,305
Other financial liabilities	-	84	-	392
Provisions	422	683	442	683
Total non-current liabilities	8,991	7,824	9,139	8,380
Current liabilities				
Financial liabilities				
Borrowings	28,272	29,941	29,069	29,969
Trade payables	11,798	10,018	12,247	10,189
Other financial liabilities	9,153	7,528	9,575	8,227
Provisions	2,615	2,359	2,752	2,383
Current tax liabilities (net)	3,317	3,477	3,317	3,479
Other current liabilities	4,441	3,638	4,864	4,135
Liabilities directly associated with assets classified as held for sale	-	-	165	128
Total current liabilities	59,596	56,961	61,989	58,510
Total liabilities	68,587	64,785	71,128	66,890
Total Equity and liabilities	87,965	81,925	88,959	83,293

Notes:

(a) The standalone and consolidated Balance sheets as at March 31, 2016 prepared under erstwhile GAAP were audited by the Company's previous statutory auditors.

(b) Adjustments for Ind AS to the standalone and consolidated Balance sheets as at March 31, 2016 (including presentation reclassifications) have been audited by the Company's current statutory auditors.









United Spirits Limited
Statement of Financial Results for the quarter and year ended March 31, 2017

Notes:

1. United Spirits Limited (hereinafter referred to as "the Company" or "USL") together with its subsidiaries, its associates and its controlled trust (collectively "the Group") which is primarily engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing/ brand franchise. The Company classifies the business principally based on the Company's brand in two segments namely "Prestige and Above" brands and "Popular" brands. Since both these segments meet the aggregation criteria as per the requirements of Ind AS 108 on 'Operating segments', the management considers these business activities as a single reportable segment. Accordingly, disclosure of segment information has not been furnished.
2. This statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (Ind AS) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable. Beginning April 1, 2016, the Company has for the first time adopted Ind AS with a transition date of April 1, 2015.
 - (a) The reconciliation of net profit or loss reported in accordance with erstwhile Generally Accepted Accounting Principles (GAAP) to total comprehensive income in accordance with Ind AS given below:

Particulars	Amount in INR millions		
	Standalone		Consolidated
	3 months ended March 31, 2016	Previous year ended March 31, 2016	Previous year ended March 31, 2016
Net profit/ (loss) as reported under earlier Indian GAAP (refer Note (i) below)	(90)	9,812	9,689
Ind AS Adjustments (refer Note (ii) below) Add/(Less):			
Net Impact on de-recognition of borrowing cost included in value of inventory at the beginning and end of the period	9	(178)	(178)
Net Impact of reversal of revenue at period beginning and end along with the related cost of goods sold	33	(26)	(26)
Actuarial Loss on defined benefit plans for the period considered under Other Comprehensive Income (including tax impact thereon).	63	101	93
Reversal of Amortization of Intangible Assets	2	6	6
Fair valuation of Financial liabilities at amortised cost	-	-	(17)
Reversal of FCTR for subsidiaries sold	-	-	460
Recognition of deferred tax	-	-	(97)
Gain on sale of investment considered under Other Comprehensive Income / opening retained earnings as at April 1 2015 based on fair valuation.	-	(8,536)	(8,536)
Deferred tax credit in respect of the above adjustments	10	53	53
Stamp duty on erstwhile amalgamations	(13)	(13)	(13)
Net profit as per Ind AS	14	1,219	1,434



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Particulars	Standalone		Consolidated
	3 months ended March 31, 2016	Previous year ended March 31, 2016	Previous year ended March 31, 2016
<i>Other Comprehensive Income</i>			
Actuarial (loss) / gains on employee benefit schemes	(63)	(101)	(113)
Exchange differences on translation of foreign operations	-	-	215
Fair value gain/(loss) on investments in equity	(10)	187	187
Other Comprehensive Income	(73)	86	289
Total Comprehensive Income	(59)	1,305	1,724

- (b) The reconciliation of total equity as previously reported (referred to as "Previous GAAP") and Ind AS is as per the table given below:

Particulars	Amount in INR millions	
	Standalone March 31, 2016	Consolidated March 31, 2016
Share capital	1,453	1,453
Other equity as per erstwhile GAAP (excluding FCTR)	16,346	15,928
Foreign currency translation reserve as per previous GAAP [refer Note (iii) below]	10,274	498
Total equity (shareholder's funds) as per previous GAAP as at March 31, 2016 (Refer note (i) below)	28,073	17,879
Ind AS adjustment on account of allowance created for loan given to overseas subsidiary [refer Note (ii) and (iii) below]	(10,274)	-
	17,799	17,879
Other Ind AS adjustments: (Refer note (ii) below)		
Effect of consolidation of controlled trust	-	(1,156)
Reversal of brand amortization	4	4
Fair valuation of investments in equity shares	68	68
Net impact on equity on reversal of revenue	(109)	(109)
De-recognition of borrowing cost included in value of inventory	(713)	(713)
Stamp duty on erstwhile amalgamations	(188)	(188)
Fair valuation of Financial liabilities at amortised cost	-	57
Recognition of deferred tax	-	370
Adjustment for Non-controlling Interests	-	(38)
Impairment of Investment properties	-	(92)
Tax effects of above adjustments	279	265
Total adjustments	(10,933)	(1,532)
Total equity as per Ind AS as at March 31, 2016	17,140	16,347

- (i) The results for the three months and year ended March 31, 2016 have been reviewed/ audited, as appropriate, by the Company's erstwhile statutory auditors.
- (ii) Ind AS adjustments have been audited/ reviewed by the Company's current statutory auditors.



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- (iii) FCTR represents accumulated foreign exchange differences on restatement of loan given to USL Holdings Limited BVI, an overseas subsidiary. On transition to Ind AS, the FCTR has been reset to nil by transfer to total equity. The loan to USL Holdings Limited BVI which was not considered as doubtful under erstwhile GAAP to the extent of balance in FCTR, has now been provided for as doubtful.
3. As disclosed in the financial statements for the years ended March 31, 2015 and March 31, 2016, the Board initiated an inquiry ("Initial Inquiry"), which was completed in April 2015. The Initial Inquiry revealed (amongst other things), past instances of improper transactions concerning USL and its subsidiaries in India, including what appeared, *prima facie*, to be diversions of funds from USL and its subsidiaries to various UB Group companies including Kingfisher Airlines Limited ("KFA"). All such diverted amounts were provided for by the Company in the financial statements for the year ended March 31, 2015. In connection with the funds that were identified by the Initial Inquiry to have been diverted from the Company and/or its subsidiaries, the Company executed settlement agreements with ten parties as of March 31, 2017. These settlements resulted in write-off of receivables balance of Rs. 358 million and Rs. Nil for the year and quarter ended March 31, 2017 (year ended Mar 31, 2016: Rs. 5,666 million) outstanding from such parties, corresponding write back of provisions against such receivables amounting to Rs.370 million and Rs. Nil for the year and quarter ended March 31, 2017 (year ended Mar 31, 2016: Rs. 6,209 million) and interest claims from such parties amounting to Rs. 28 million and Rs. Nil for the year and quarter ended March 31, 2017 (year ended Mar 31, 2016: Nil) all of which have been treated as exceptional items during the year (refer Note 15). Settlements with four parties have not been reached as yet. Discussions with two of these parties are continuing and the Company is hopeful of reaching settlements with them. Discussions with the third party have turned adverse and the matter appears likely to manifest itself into a dispute with claims and counter-claims by both parties. 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. As all the amounts including the likely exposure of counter-claims have been fully provided for, there is no further material exposure to the Company.
4. The documents reviewed during the Initial Inquiry contained references to certain additional parties ("Additional Parties") and matters ("Additional Matters") indicating possible existence of other improper transactions. While such references could not be fully analysed during the Initial Inquiry, the nature of these references raised concerns regarding the propriety of the underlying transactions. Therefore, after the Initial Inquiry was concluded, and as disclosed in the Company's financial results and financial statements from time to time, the Board mandated that USL's managing director and chief executive officer ("MD & CEO") conduct a further inquiry ("Additional Inquiry") into historical transactions involving the Additional Parties and Additional Matters, to determine whether transactions with these Additional Parties and/or involving these Additional Matters also suffered from improprieties. Pending the Additional Inquiry, and as disclosed in the audited financial statements for the years ended March 31, 2015 and March 31, 2016, certain audit qualifications were made in respect of USL's financial statements for those financial years, as the statutory auditors were unable to comment on the nature of those matters, the provisions established therefore, or any further potential impact on the financial statements. Pursuant to the Board's directions, the MD & CEO engaged independent experts with specialised forensic skills to assist with this Additional Inquiry and provide inputs and expert advice in connection therewith. Notwithstanding the limitations posed by lack of access to complete documentation despite best efforts, in July 2016 the MD & CEO submitted his report, taking into account the inputs and expert advice of the independent experts, to the Board. The Board, at its meeting held on July 9, 2016, discussed and considered in detail the report submitted by the MD & CEO in relation to the Additional Inquiry.



- (a) The Board noted that while only a court or concerned regulatory authority would be in a position to make final determinations as to fault or culpability, the Additional Inquiry, *prima facie*, revealed further instances of actual or potential fund diversions arising from improper transactions amounting to approximately Rs. 9,135 million using March 31, 2015 exchange rates (approximately Rs.9,504 million using March 31, 2016 exchange rates) as well as other potentially improper transactions involving USL and its Indian and overseas subsidiaries amounting to approximately Rs.3,118 million using March 31, 2015 exchange rates (approximately Rs.3,260 million using March 31, 2016 exchange rates). These transactions occurred during the review period covered by the Additional Inquiry, i.e., from October 2010 to July 2014 ("Review Period", which was substantially the same as the period covered by the Initial Inquiry), although certain transactions appear to have been initiated in years prior to the Review Period.
- (b) The improper transactions identified in the Additional Inquiry involved, in most cases, diversion of funds to overseas and Indian entities that appear to be affiliated or associated with USL's former non-executive chairman, Dr. Vijay Mallya. The overseas beneficiaries or recipients of these funds include entities such as Force India Formula One, Watson Ltd, Continental Administrative Services, Modall Securities Limited, Ultra Dynamix Limited and Lombard Wall Corporate Services Inc., in each of which Dr. Mallya appears to have a material, direct or indirect, interest. The Indian beneficiaries or recipients of the funds identified by the Additional Inquiry included, in most cases, KFA.
- (c) Most of the amounts identified in the Additional Inquiry have been previously provided for or expensed in the financial statements of USL or its subsidiaries for prior periods (including by way of provision made in relation to impairment in the value of or loss on sale of USL's overseas subsidiaries). With an additional charge of Rs. 217 million in respect of a write down in the value of certain items of plant and equipment made in the quarter ended June 30, 2016 and disclosed under exceptional items (Refer Note 15), there are no other improper transactions identified by the Additional Inquiry, which have not been expensed or provided. At this stage, it is not possible for the management to estimate the financial implications, if any, arising out of potential non-compliance with applicable laws on the Company.
- (d) In connection with the recovery of funds that are *prima facie* identified by the Additional Inquiry to have been diverted from the Company and its subsidiaries, pursuant to a detailed review of each case of fund diversion to assess the legal position, the Company has filed some civil suits before the appropriate jurisdictional courts for recoveries and is in the process of finalising certain others. The Company has also taken appropriate action in relation to employees named in the Additional Inquiry. In respect of on-going relationships with counter-parties involved in the improper transactions identified by the Additional Inquiry, the Company has undertaken a detailed review of such relationships and ascertained whether they were entered into on an arms-length basis and with appropriate controls and has taken appropriate action on the basis of these findings.
- (e) During the course of the Additional Inquiry, certain other matters pertaining to historical transactions (carried out during the Review Period of October 2010 to July 2014) were identified, which raised concerns in relation to internal controls regarding vendor invoices with certain vendors and in relation to certain historical sales promotion schemes. The amounts involved were charged off in the relevant prior financial years. Management has carried out a further review which indicates that the said matters did not continue post the Review Period.



5. As disclosed in the financial statements for the years ended March 31, 2015 and March 31, 2016, 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 Rs.13,374 million 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 Rs. 13,374 million, and for the accrued interest of Rs. 846 million up to March 31, 2014. The Company has also not recognised interest income on said loan aggregating to Rs. 3,748 million for the period from April 1, 2014 to March 31, 2017 (Rs. 317 million for the quarter ending March 31, 2017). Company has set-off payable to UBHL under the trademark agreement amounting to Rs. 56 million and Rs. 290 million for the quarter and year ended March 31, 2017 (quarter and year ended March 31, 2016 Rs. 249 million, cumulatively Rs. 539 million) against the interest receivable from UBHL and consequently corresponding allowance for interest receivable has been reversed to 'Other Income' in the related periods.

The Company is seeking redressal of these disputes and claims through arbitration under the terms of the Loan Agreement and the arbitration proceedings have commenced. On February 7, 2017, the High Court of Karnataka ordered, *inter alia*, that UBHL be wound up, and that the Official Liquidator be appointed as the liquidator of UBHL. The Company has subsequently secured leave from the Hon'ble High Court of Karnataka to continue the arbitration proceedings.

6. As disclosed in the financial statements for the year ended March 31, 2016 the Company entered into a settlement agreement with its former non-executive chairman, Dr. Mallya ("Agreement"), pursuant to which he resigned from his positions as a director and chairman of the Company and its subsidiaries. In connection with the settlement, Dr. Mallya procured or undertook to procure the termination by the relevant counterparties of certain historical agreements to which the Company was party and which were not approved by the shareholders of the Company at the extraordinary general meeting ("EGM") held on November 28, 2014. Pursuant to the Agreement, the Company entered into mutual release and termination agreements with all the respective counterparties of these historical agreements, save one. The Company has executed an Agreement with the said remaining party by paying a sum of Rs.75 million ("Amount") during the quarter ended September 30, 2016. The Company made a claim against Dr. Mallya seeking refund of the Amount in terms of the Agreement. Since the refund of the Amount was not forthcoming from Dr. Mallya, the Company has sought indemnification and made a claim against Diageo Plc., for the refund amount which has been recorded as 'Receivable from related parties' under Other current Financial assets as at March 31, 2017 and has been realized post the balance sheet date. There is therefore no financial impact on the results of the Company. As previously disclosed by the Company, the Company and Dr. Mallya agreed a mutual release in relation to civil claims arising out of the Initial Inquiry. The Agreement does not extend to matters covered by the Additional Inquiry, any claims connected with the UBHL loan, or any recovery proceedings by USL connected with the Additional Inquiry.

As part of the Agreement with Dr Mallya, the Company, *inter alia*, also entered into certain principles, pursuant to which Dr. Mallya or a party nominated by him would have a limited period option to purchase up to 13 non-core properties from the Company. The Company secured independent valuation for these properties and had shared the same with Dr. Mallya. Though the Company received call notices from a party nominated by Dr. Mallya indicating its intention to purchase four non-core properties from the Company, the said call notices have since expired due to inaction by the party nominated by Dr. Mallya. As a result, the period of this option has now expired with Dr. Mallya (or his nominee) not purchasing any of the non-core properties. The Company now intends to divest these non-core assets at market value



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through a transparent process, under the overall supervision and direction of the concerned Board committee.

The Company had received certain undertakings from Dr. Mallya in relation to termination of the Shareholders' Agreement. During the quarter ended September 30, 2016, on seeking a further update on the status of the termination of the Shareholders' Agreement by UBHL, the Company was informed by Dr. Mallya that UBHL would not be seeking leave of court to terminate the Shareholders' Agreement.

7. The managerial remuneration for the financial year ended March 31, 2015 aggregating Rs. 63 million and Rs. 153 million 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 Rs. 51 million to the MD & CEO and Rs. 134 million to the former ED & CFO. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. The Central Government, vide letters dated April 28, 2016 did not approve the Company's application for the waiver of the excess remuneration. On May 24, 2016 the Company resubmitted the applications, along with detailed explanations, to the Central Government to reconsider approving the waiver of the excess remuneration paid. In light of the findings from the Additional Inquiry as set out in Note 4 above, the Company has withdrawn its application for approval of excess remuneration paid to the former ED & CFO of the Company through a letter dated July 12, 2016. The Company is awaiting response from the Central Government to its resubmitted application in respect of the MD & CEO. As notified to the Central Government, the Company initiated steps seeking refund of excess remuneration paid to the former ED & CFO. Since the refund was not forthcoming, the Company has, on January 5, 2017, filed a suit before the jurisdictional court to recover the excess remuneration paid by the Company to the former ED & CFO.
8. The Company has received and continues to receive letters and notices from various regulatory authorities and other government authorities. The Company has responded to the respective letters and notices and is cooperating with the regulatory authorities. Amongst others, the following letters and notices have been received and/ or responded to by the Company:
 - a) 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. Mallya;
 - b) 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;
 - c) From the Enforcement Directorate ("ED") in connection with agreements entered into with Dr. Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002;
 - d) From the Company's authorised dealers in relation to certain queries from Reserve Bank of India ("RBI") with regard to remittances made in prior years to subsidiaries of the Company and branch in the United Kingdom and past acquisition of the Whyte and Mackay group; and
 - e) From the Central Bureau of Investigation (CBI) relating to the Initial Inquiry and Additional Inquiry.
9. As disclosed in the financial statements for the years ended March 31, 2015 and March 31, 2016, during the year ended March 31, 2014, the Company decided to prepay a term loan taken in earlier years under a consortium from bank, 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) with the security trustee. 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 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 Rs. 474 million towards principal and interest on the said loan, which the Company contested in the Hon'ble High Court of Karnataka. As per the order of the Hon'ble High Court of Karnataka directing the parties to consider a negotiated settlement, the Company engaged with the bank to commence discussions towards settlement. 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 are or have been 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 Rs. 459 million, 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 directed that if the Company deposited the sum of Rs. 459 million 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 assets. 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. The Company is in the process of sending an appropriate rejoinder and is also making efforts to expedite the hearing of its Writ Petition before the Karnataka High Court.

10. Consequent to a voluntary disclosure made by the Company to a customer regarding prices historically charged by the Company to said customer being inconsistent with trading terms that apply between the Company and the said customer, the Company received a claim during the quarter ended September 30, 2016 and thereafter a debit note for the period upto December 31, 2016, in the quarter ended March 31, 2017. After considering an accrual of Rs. 250 million which was made on this account in the financial year ended March 31, 2016, an additional liability has been recorded for the balance amount of Rs. 3,030 million (including potential liability of Rs. 130 million for the period January to March 2017) during the current quarter and year ended March 31, 2017 of which Rs. 460 million relate to claims for current year sales which has been recorded as reduction from Revenue from Operations and Rs. 2,570 million pertaining to earlier years which has been disclosed as exceptional item in the financial results. In respect of some of the specific products the prices demanded by the Customer result in the Company incurring a foreseeable loss and accordingly a provision for the onerous element in such contracts amounting to Rs. 75 million has been made and included in exceptional item for the quarter and year ended March 31, 2017. The aggregate amount included in exceptional items is therefore Rs. 2,645 million for the quarter and year ended March 31, 2017 (Refer Note 15).



11. The Bihar State Government 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 Section 19(4) of the Bihar Excise Act, 1915, as ultra vires the Constitution of India. Subsequently, the Bihar Government re-imposed prohibition by notifying a new legislation i.e. The Bihar Prohibition and Excise Act, 2016, on October 02, 2016. The Bihar Government 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 filed 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 (w.e.f April 1, 2017) the consequences of which criminalises 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 Confederation of Indian Alcoholic Beverage Companies (CIABC) in the Supreme Court, the Bihar Government extended this timeline to April 30, 2017 and the Hon'ble Supreme Court has extended this to July 31, 2017, to allow additional time for companies to transfer said materials out of the state of Bihar. In light of the challenges in carrying out this unique and one time exercise, CIABC has sought an extension of the deadline from the Supreme Court.

The Company has initiated the process of transferring such stocks of raw materials and finished goods outside the state of Bihar. The 'billed stocks' supplied by the Company pursuant to valid orders for sales which are currently in the possession of BSBCL, are also in the process of being transferred out of the state of Bihar. The Company will take appropriate steps in due course to persuade the Bihar Government to refund the statutory duties i.e. VAT and Excise duty paid in respect of the said stocks aggregating to Rs. 553 million which is considered good and receivable and disclosed as other non-current financial assets. The Company has made a provision of Rs. 90 million and Rs. 267 million towards inventory reprocessing charges for the quarter and year ended March 31, 2017, respectively. Further, a provision of Rs. 110 million has been made towards employee retrenchment during the quarter and year ended March 31, 2017. Total amounts of Rs. 200 million and Rs. 377 million for the quarter and year ended March 31, 2017 respectively has been disclosed as an exceptional item under Note 15.

12. During the year the agreement with Deutsche Bank Trust Company Americas, Depository for global depository shares (GDSs), was terminated by virtue of which, the GDSs have been cancelled and have resulted in underlying shares. Notwithstanding this development, the number of shares outstanding or issued and subscribed in the share capital of the Company remains unchanged at Rs 1,453 million being 145,327,743 equity shares of Rs 10 each fully paid up and the Company's shares continue to be listed with the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).



A handwritten signature in blue ink, appearing to be "S. R. K.", located below the stamp.

Handwritten initials in blue ink, possibly "S. R. K.", located at the bottom left of the page.

13. Effective December 1, 2016, the provisions of Sick Industrial Companies Act, 1985 was repealed. As a result, Board of Industrial Finance and Reconstruction (BIFR) ceases to exist and all proceedings before BIFR stand automatically dropped. The Company and its four subsidiary companies namely, Pioneer Distilleries limited, Sovereign Distilleries limited, Tern Distilleries Private Limited and Four Seasons Wines Limited had been referred to BIFR due to the erosion of more than 50/100% of the net worth of those companies. As a result, the requirement to report erosion of net worth of the Company to the shareholders does not arise.
14. On January 15, 2016, the Company entered into an agreement for the sale of its entire holding in United Spirits Nepal Private Limited of 67,716 equity shares (constituting 82.46% of the paid up equity share capital of United Spirits Nepal Private Limited). The sale is subject to various regulatory approvals (both in India and Nepal) and other conditions precedent which are normal for such transactions, and which the Company is in the process of seeking. Pending such approvals, the company's investment in United Spirits Nepal Private Limited has been included in Assets classified as held for sale under Current assets as at March 31, 2017 and as at March 31, 2016.
15. Details of exceptional items:

Amount in INR millions

Particulars	Standalone		Consolidated
	3 months ended March 31, 2017	Year ended March 31, 2017	Year ended March 31, 2017
Provision towards matters arising consequent to prohibition in the state of Bihar (Refer Note 11)	(200)	(377)	(377)
Write down in the value of certain equipment (Refer Note 4 c)	-	(217)	(217)
Impairment in the value of Investment in subsidiaries	(882)	(882)	-
Allowances for doubtful receivable from related party written back	819	819	-
Customer claim (Refer Note 10)	(2,645)	(2,645)	(2,645)
Reversal of provision against claims (Refer Note 3)	-	28	28
Allowance for doubtful receivables/ advances/ deposits written back	-	370	370
Bad and doubtful advances, deposits and trade receivables written off	-	(358)	(358)
Impairment of Goodwill on consolidation	-	-	(444)
Provision on advances to associates	-	-	(38)
Total income/ (expense)	(2,908)	(3,262)	(3,681)



16. The figures for the quarter ended March 31, 2017 and the corresponding quarter ended in the previous year as reported in the accompanying statement of financial results are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures up to the third quarter of the relevant financial year, as adjusted for certain regroupings/reclassification. The statutory auditors have issued an unmodified audit report on standalone and consolidated financial statements for the year ended March 31, 2017 which has been filed with the relevant stock exchanges and is also available on the Company's website.
17. The Board has not recommended any dividend on the equity shares of the Company for the year ended March 31, 2017.
18. Previous period's figures have been regrouped/ reclassified as per the current period's presentation for the purpose of comparability.
19. This Statement of financial results has been reviewed by the audit committee of the Board on May 29, 2017 and approved by the Board of Directors at its meeting held on May 30, 2017.

Bengaluru
May 30, 2017

By authority of the Board

Anand Kripalu
Managing Director and CEO



