

ANNEXURE 4 (a)



STRICTLY PRIVATE & CONFIDENTIAL

December 02, 2019

The Board of Directors
United Spirits Limited
UB Tower, # 24,
Vittal Malliya Road,
Bangalore - 560 001

Dear Sir(s) / Madam(s),

Re: Fairness Opinion on the Fair Exchange Ratio Report issued by S R B C & Co LLP, Chartered Accountants, in connection with the Scheme of Amalgamation and Arrangement (the 'Scheme') for proposed amalgamation of Pioneer Distilleries Limited ('Transferor Company' or 'PDL') with United Spirits Limited ('Transferee Company' or 'USL') (hereinafter collectively referred to as the 'Companies').

1 BACKGROUND

- 1.1 Pantomath Capital Advisors Private Limited ("Pantomath" or "we" or "us") is a Category I Merchant Banker registered with the Securities Exchange Board of India ("SEBI"). Pursuant to Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (earlier SEBI Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015) we have been requested by the Management of USL to issue a fairness opinion on Fair Exchange Ratio Report issued by S R B C & Co LLP, Chartered Accountants, for the recommendation of Fair Exchange Ratio for the proposed amalgamation of the Transferor Company with the Transferee Company.
- 1.2 The Transferee Company and the Transferor Company are desirous of amalgamating the Transferor Company as a going concern with the Transferee Company in accordance with Sections 230 to 232 and/or other applicable provisions of the Act.
- 1.3 Pursuant to the Scheme, the equity shares held by the Transferee Company in the Transferor Company shall stand cancelled as an integral part of the Scheme and no equity shares of the Transferee Company shall be allotted in respect of such equity shares.
- 1.4 As a consideration for the proposed amalgamation, equity shareholders of Pioneer Distilleries Limited are proposed to be allotted equity shares of face value of INR 2 each fully paid up of United Spirits Limited.
- 1.5 In this regard, we have been requested by the management of USL to issue a Fairness Opinion on Fair Exchange Ratio for the proposed amalgamation of the Transferor Company with the Transferee Company as determined by S R B C & Co LLP, Chartered Accountants in their Fair Exchange Ratio Report.

Progress with Values...

Pantomath Capital Advisors Private Limited (SEBI Registered Category-I Merchant Bankers)

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2 BACKGROUND OF THE COMPANIES

2.1 Pioneer Distilleries Limited

The Transferor Company, a public limited company incorporated on November 25, 1992 under the Companies Act, 1956, with corporate identification number L24116KA1992PLC125992, has its registered office situated at UB Tower, Level- 10, # 24, Vittal Mallya Road, Bangalore - 560 001. The equity shares of the Transferor Company are listed on the BSE Limited and National Stock Exchange of India Limited. PDL operates as a subsidiary of USL.

The Transferor Company is inter alia engaged in the manufacturing and selling portable/beverage alcohol, spirits, and related products in India. PDL's products include extra neutral alcohol (ENA), absolute alcohol, malt and rectified spirit, special denatured spirit, distillers dry and wet grain soluble, carbon-di-oxide dry ice, molasses based ENA, and cattle feed.

2.2 United Spirits Limited

The Transferee Company, a public limited company incorporated on March 31, 1999 under the Companies Act, 1956 with corporate identification number L01551KA1999PLC024991, has its registered office situated at UB Tower, # 24, Vittal Mallya Road, Bangalore- 560 001. The equity shares of the Transferee Company are listed on BSE Limited and National Stock Exchange of India Limited. USL operates as a subsidiary of Diageo plc.

The Transferee Company is engaged in the business of distilling, rectifying and blending of spirits, and production of ethyl alcohol from fermented material. USL's alcoholic beverages include Scotch whisky, Indian made foreign liquor whisky, brandy, rum, vodka and gin. USL primarily owns McDowell's No.1, Royal Challenge, Signature, Antiquity, Black Dog, Director's Special Black, McDowell's Rum, and McDowell's Brandy, Bagpiper, Old Tavern, and Haywards brands. It also manufactures, imports, and sells Diageo's brands, such as Captain Morgan, Johnnie Walker, J&B, Baileys, Talisker, VAT 69, Black & White, Smirnoff, and Ciroc. In addition, USL's subsidiary holds the right to the Bangalore Franchise of the Board of Control for Cricket in India – Indian Premier League.

- 2.3 In order to simplify the corporate structure, realize business efficiencies, optimize cashflows and for uninterrupted operations of the Transferor Company's plant, it is proposed by the management of the Companies to amalgamate PDL with USL.

3 SOURCE OF INFORMATION

For arriving at the fairness opinion set forth below, we have relied upon the following sources of information:

3.1 Pioneer Distilleries Limited

- 3.1.1 Unaudited financial statements for the half year ended September 30, 2019 and September 30, 2018;
- 3.1.2 Audited financial statements for the year ended March 31, 2019 and March 31, 2018;
- 3.1.3 Shareholding pattern as at September 30, 2019;
- 3.1.4 PDL's Board approved Revenue and EBITDA considering normative level of business operation, capex required to be incurred to achieve normative level of business operation and year in which normative profits are expected to be achieved;



- 3.1.5 Details of contingent liabilities as at 30 September 2019 and confirmation that there is no material change in contingent liabilities from 30 September 2019 till report date;
- 3.1.6 Other relevant information.

3.2 **United Spirits Limited**

- 3.2.1 Unaudited financial statements of USL (standalone and consolidated) for the half year ended September 30, 2019 and September 30, 2018;
- 3.2.2 Unaudited financial statements of Royal Challengers Sports Private Limited, a wholly owned subsidiary of USL for the half year ended September 30, 2019 and September 30, 2018;
- 3.2.3 Audited financial statements of USL and its subsidiaries for the year ended March 31, 2019 and March 31, 2018;
- 3.2.4 Shareholding pattern as at September 30, 2019;
- 3.2.5 Details of contingent liabilities as at 30 September 2019 and confirmation that there is no material change in contingent liabilities from 30 September 2019 till report date;
- 3.2.6 Other relevant information.

- 3.3 Fair Exchange Ratio Report issued by S R B C & Co LLP, Chartered Accountants, dated December 02, 2019;
- 3.4 Draft Scheme of Amalgamation and Arrangement under section 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013;
- 3.5 Publicly available market data, key trends and valuation multiples of comparable companies/comparable transactions;
- 3.6 Other relevant information and documents for the purpose of this engagement including the management representations.

4 **VALUER'S RECOMMENDATION**

- 4.1 As stated and elaborated in the Fair Exchange Ratio Report by S R B C & Co LLP, the fair exchange ratio has been arrived at on the basis of a relative equity valuation of the Companies based on the various approaches / methods explained in the Fair Exchange Ratio Report and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.
- 4.2 On consideration of all the relevant factors and circumstances as discussed and outlined in the Fair Exchange Ratio Report, following is the exchange ratio for the proposed amalgamation of the Transferor Company with the Transferee Company:

10 (Ten) equity shares of USL of INR 2/- each fully paid up for every 47 (Forty-Seven) equity shares of PDL of INR 10/- each fully paid up.



5 RATIONALE AND CONCLUSION

In the circumstances, having regard to the relevant factors and on the basis of information and explanations given to us, in our view, the proposed Fair Exchange Ratio as recommended by S R B C & Co LLP, Chartered Accountants, which forms the basis for the proposed amalgamation, appears to be fair and reasonable.

Pantomath has issued the Fairness Opinion with the understanding that Draft Scheme shall not be materially altered and the parties hereto agree that the Fairness Opinion would not stand good in case the final Scheme alters the transaction.

6 EXCLUSIONS AND LIMITATIONS

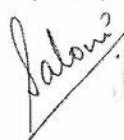
- 6.1 We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the management of the Companies for the purpose of this opinion without carrying out any audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of Transferee Company and Transferor Company.
- 6.2 We have solely relied upon the information provided to us by the management of the Companies. We have not reviewed any books or records of Transferee Company and Transferor Company.
- 6.3 We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of Transferee Company and Transferor Company and neither express any opinion with respect thereto nor accept any responsibility therefor.
- 6.4 We have not made any independent valuation or appraisal of the assets or liabilities of Transferee Company and Transferor Company. In particular we do not express any opinion as to the value of assets of Transferee Company and Transferor Company, whether at current market prices or in future.
- 6.5 We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by the management of the Companies for the purpose of this opinion.
- 6.6 We are not experts in the evaluation of litigation or other actual or threatened claims and hence have not commented on the effect of such litigation or claims on the valuation. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of Transferee Company and Transferor Company with respect to these matters. In addition, we have assumed that the Draft Scheme of Amalgamation and Arrangement will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Draft Scheme of Amalgamation and Arrangement.
- 6.7 We understand that the managements of the Companies during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion.
- 6.8 Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and



on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra- ordinary transaction involving Transferee Company and Transferor Company or any of its assets, nor did we negotiate with any other party in this regard.

- 6.9 It is understood that this opinion is solely for the benefit of confidential use by the Board of Directors of the Transferee Company and the Transferor Company for the purpose of facilitating companies to comply with Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (earlier Circular CIR/CID/CMD/16/2015 dated November 30, 2015) issued by SEBI; disclosures to be made to relevant regulatory authorities including stock exchanges, SEBI, National Company Law Tribunal or as required under applicable law and it shall not be valid for any other purpose. This opinion is only intended for the aforementioned specific purpose and if it is used for any other purpose; we will not be liable for any consequences thereof.
- 6.10 The fee for our service is not contingent upon the results of the proposed arrangement. This opinion is subject to the laws of India.
- 6.11 We express no opinion whatever and make no recommendation at all as to Transferee Company's and Transferor Company's underlying decision to effect to the proposed amalgamation or as to how the holders of equity shares or secured or unsecured creditors of Transferee Company and Transferor Company should vote at their respective meetings held in connection with the proposed Scheme of Amalgamation and Arrangement. We do not express and should not be deemed to have expressed any views on any other terms of the proposed Scheme of Amalgamation and Arrangement. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of Transferee Company and Transferor Company will trade following the announcement of the proposed Scheme of Amalgamation and Arrangement or as to the financial performance of Transferee Company and Transferor Company following the completion of the proposed Scheme of Amalgamation and Arrangement.
- 6.12 In no circumstances however, will Pantomath or its associates, directors or employees accept any responsibility or liability to any third party.

Truly Yours,



Saloni Surana
Manager

Pantomath Capital Advisors Private Limited
SEBI Registered Category – I Merchant Bankers
Registration No. MB/INM000012110





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Date: December 2, 2019

To,
 The Board of Directors
Pioneer Distilleries Limited
 Level 10, UB Tower,
 No. 24, Vittal Mallya Road,
 Bengaluru - 560 001
 Karnataka, India

Dear Members of the board,

1. Engagement Background

We Understand that the Board of Directors of Pioneer Distilleries Limited ("Transferor Company" or the "Transferor Company") and United Spirits Limited ("Transferee Company" or the "Transferee Company") are contemplating the amalgamation of the Transferor Company with the Transferee Company ("Amalgamation") under a Scheme of Amalgamation and Arrangement under the provisions of Sections 230-232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013. As a consideration for this Proposed Merger, equity shareholders of Transferor Company would be issued equity shares of Transferee Company in lieu of their shareholding in Transferor Company.

The broad terms and conditions of the proposed mergers are more fully set out in the draft scheme document shared with us on December 1, 2019, the final version of which will be filed by the aforementioned companies with the appropriate authorities.

We understand that the Valuation as well as the swap ratio thereof is based on the Valuation Certificate dated December 02, 2019 issued by S R B C & CO LLP, Chartered Accountants (ICAI Firm Registration Number: 324982E/ E300003), signed by Ravi Bansal, Partner (Membership No: 049365) ("Valuer").

We, Saffron Capital Advisors Private Limited, a SEBI registered Category-I Merchant Banker, have been engaged by Transferor Company to give a fairness opinion ("Opinion") on Valuation Certificate dated December 02, 2019 issued by the valuer.

2. Background of the companies and Rationale

The **Transferor Company**, a public limited company incorporated on November 25, 1992 under the Companies Act, 1956, with corporate identification number L24116KA1992PLC125992, has its registered office situated at UB Tower, Level- 10, # 24, Vittal Mallya Road, Bangalore - 560 001. The equity shares of the Transferor Company are listed on the BSE Limited and National Stock Exchange of



India Limited ("Stock Exchanges"). Transferor Company manufactures and sells portable/beverage alcohol, spirits, and related products in India. Its products include extra neutral alcohol (ENA), absolute alcohol, malt and rectified spirit, special denatured spirit, distillers dry and wet grain soluble, carbon-di-oxide dry ice, molasses based ENA, and cattle feed.

The Transferee Company, a public limited company incorporated on March 31, 1999 under the Companies Act, 1956 with corporate identification number L01551KA1999PLC024991, has its registered office situated at UB Tower, # 24, Vittal Mallya Road, Bangalore - 560 001. The equity shares of the Transferee Company are listed on the Stock Exchanges. The Transferee Company is engaged in the business of distilling, rectifying and blending of spirits, and production of ethyl alcohol from fermented material. In addition, the company through its subsidiary holds the right to the Bangalore Franchise of the Board of Control for Cricket in India – Indian Premier League.

The Transferor Company is a subsidiary of the Transferee Company. 75% of the paid up equity share capital of the Transferor Company is directly held by the Transferee Company. Balance equity share capital is held by other shareholders.

The Amalgamation of the Transferor Company with the Transferee Company is sought to be undertaken to achieve the following:

- (a) simplification of the corporate structure and consolidation of the group's business;
- (b) realising business efficiencies, inter alia, through optimum utilisation of resources due to pooling of management, expertise and other resources of the Companies and to achieve economies of scale;
- (c) overcoming limitations on raising capital for the Transferor Company, ensuring improved allocation of capital and optimum cash flows contributing to better utilisation of capacity and the overall growth of the combined entity;
- (d) creation of a larger asset base and facilitation of access to better financial resources;
- (e) savings on compliance / interest costs;
- (f) uninterrupted operations of the Transferor Company's plant in order to stabilize its business;
- (g) integration of the Transferor Company's operations with the Transferee Company resulting in benefits arising out of the synergies, especially since the Transferee Company is in the same line of business as the Transferor Company;
- (h) enhanced shareholder value pursuant to economies of scale and business efficiencies.



3. Key Features of the Scheme of Amalgamation and Arrangement

The key features of the scheme provided to us through Draft Scheme Document are as under:

- a) The scheme provides for issuance of shares by Transferee Company to all the equity shareholders holding fully paid up equity shares of the Transferor Company, whose names appear in the register of members of the Transferor Company and / or whose names appear as the beneficial owner of the shares of the Transferor Company in the records of the depository, (except to the Transferee Company itself) as on the Record Date, to be fixed for the purpose of reckoning names of the equity shareholders the Transferor Company ("Transferor Company Shareholders").

The equity shares held by the Transferee Company in the Transferor Company shall stand cancelled as an integral part of the Scheme and no equity shares of the Transferee Company shall be allotted in respect of such equity shares. The 62,400 forfeited shares of the Transferor Company shall stand extinguished and cancelled and an amount of Rs 3,12,000 shall be transferred to the head 'Capital Reserve' in the financial statement of the Transferee Company.

- b) In case any equity shareholder of the Transferor Company owns shares in the Transferor Company, such that it becomes entitled to a fraction of an equity share of the Transferee Company, the Transferee Company shall not issue fractional shares to such member but shall instead, at its absolute discretion, decide to take any or a combination of the following actions:
- i. consolidate such fractions and issue consolidated shares to a trustee nominated by the Transferee Company in that behalf, who shall sell such shares and distribute the net sale proceeds (after deduction of applicable taxes and other expenses incurred) to the shareholders respectively entitled to the same in proportion to their fractional entitlements;
 - ii. round off all fractional entitlements to the next whole number above the fractional entitlement and issue such number of additional equity shares to the relevant shareholders; or
 - iii. deal with such fractional entitlements in such other manner as they may deem to be in the best interests of the Transferor Company Shareholders and the Transferee Company.



- c) The Board of Directors of the Transferee Company and the Transferor Company shall, if and to the extent required, apply for and obtain any approvals from all appropriate Governmental Authorities for the issue and allotment of equity shares
- d) Equity shares to be issued by the Transferee Company to the Transferor Company Shareholders shall, subject to the receipt of necessary approvals, be listed and/or admitted to trading on the Stock Exchanges, where the shares of the Transferee Company are listed and/or admitted to trading. The Transferee Company shall enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with Applicable Laws for complying with the formalities of the said Stock Exchanges. The shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated Stock Exchange.

We have relied upon the draft scheme Document and taken the aforementioned key features (together with the other facts and assumptions set forth therein) into account while determining the meaning of "fairness", from a financial point of view, for the purposes of this Opinion.

4. Exclusions and Limitations

Our opinion and analysis is limited to the extent of review of the valuation report by the valuer and the Draft scheme document. In connection with the opinion, we have

- a) Reviewed the Draft Scheme Document and the valuation report by the valuer dated December 02, 2019.
- b) Reviewed audited financials for Transferee Company and Transferor Company for the year ended March 31, 2019.
- c) Reviewed Unaudited financial statements for Transferee Company and Transferor Company for six months ended 30 September 2019.
- d) Held discussions with the valuer, in relation to the approach taken to valuation and the details of various methodologies utilized by them in preparing the valuation report and recommendations.
- e) Sought various clarifications with the respective senior management teams of Transferor Company and Transferee Company.
- f) Reviewed historical stock prices and trading volumes of Transferor Company and Transferee Company.
- g) Reviewed such other information and explanations that we have sought and which have been provided by the management of Transferor Company and Transferee Company.

This opinion is intended only for the sole use and information of Transferor Company and in connection with the Scheme, including for the purpose of obtaining judicial and regulatory approvals for the Scheme as also for the purpose of complying with the SEBI regulations and requirement of stock exchanges on which the company is listed, and for no other purpose. We are not responsible in any



way to any person/party/statutory authority for any decision of such person or party or authority based on this opinion. Any person/party intending to provide finance or invest in the shares/business of either Transferor Company and/or Transferee Company or their subsidiaries /joint ventures/associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

For the purpose of this assignment, Saffron has relied on the Valuation Certificate for the proposed "Scheme of Amalgamation and Arrangement" of Transferor Company and Transferee Company and their respective shareholders and information and explanation provided to it, the accuracy whereof has not been evaluated by Saffron. Saffron's work does not constitute certification or due diligence of any past working results and Saffron has relied upon the information provided to it as set out in working results of the aforesaid reports.

Saffron has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification and availability of such assets and liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of Transferor Company and to the Stock Exchanges and to the Registrar of Companies. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed Scheme of Amalgamation and Arrangement with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.

The information contained in this report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The report has been prepared solely for the purpose of giving a fairness opinion on Valuation Certificate issued for the proposed Scheme of Amalgamation and Arrangement between Transferor Company and Transferee Company and their respective shareholders, and may not be applicable or referred to or quoted in any other context.

Our opinion is dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to this date.



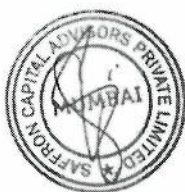
One should note that valuation is not an exact science and that estimating values necessarily involves selecting a method or approach that is suitable for the purpose. Moreover in this case where the shares of the company are being issued as consideration to the shareholders of Transferor Company, it is not the absolute valuation that is important for framing an opinion but the relative valuation of the company vis-a-vis shares of Transferor Company.

We have assumed that the Final Scheme will not differ in any material respect from the Draft Scheme Document shared with us.

We do not express any opinion as to any tax or other consequences that might arise from the Scheme on Transferor Company, Transferee Company and their respective shareholders, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the respective companies have obtained such advice as they deemed necessary from qualified professionals. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, government investigation or other contingent liabilities to which Transferor Company, Transferee Company and/or their associates/ subsidiaries, are or may be a party.

The company has been provided with an opportunity to review the Draft Opinion as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Final Opinion.

Our Opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme or any matter thereto.



5. Conclusion

Based on and subject to the foregoing, we are of the opinion that the share issuance ratio as arrived at in the valuation report i.e. "10 (Ten) equity shares of USL of INR 2/- each fully paid up for every 47 (Forty-Seven) equity shares of PDL of INR 10/- each fully paid up" is fair to the shareholders of Transferor Company from the financial point of view. Further the valuation of Transferor Company and Transferee Company as detailed by the valuer is fair.

For Saffron Capital Advisors Private Limited,


Sakshi Gupta
Head-Valuation

