DIAGEO
INDIA

STEERED *by purpose.*
STIRRED *by passion.*

United Spirits Limited
Annual Report
2022-23

CONTENTS

JOHNNIE WALKER
BLONDE
BLENDED SCOTCH WHISKY
BRIGHT | FRUITY | SMOOTH
PERFECTLY CRAFTED FOR MIXING
ESTD 1820
40% vol
70cl e
John Walker & Sons

SIR IVAN MENEZES

1959 – 2023

"As this annual report goes to print, I am deeply saddened by the news of Sir Ivan Menezes, CEO Diageo plc, passing away on June 7th, 2023. Over the last 25 years, Ivan built an extraordinary legacy and shaped Diageo to become one of the best-performing, most trusted and respected consumer companies. Ivan's energy and his commitment to diversity created a truly inclusive business, and enabled Diageo the world over to have a positive impact on the communities we serve. During his decade as CEO, Diageo saw an outstanding period of growth. Ivan was the biggest brand ambassador for India. He was a big believer in the potential of India and our team. We will continue to draw from his inspiration and 'Keep walking'."

Hina Nagarajan
Managing Director & CEO, Diageo India

ABOUT *Us*

United Spirits Limited is one of the leading beverage alcohol companies in India and a subsidiary of global leader Diageo plc. We manufacture, sell and distribute an outstanding collection of iconic global and premium Indian brands.

As a purpose-led business, we are sensitive to the needs of our consumers, community and environment. We are proud of being a responsible producer and marketer of beverage alcohol, and we champion responsible consumption with our "drink better, not more" narrative.

OVERVIEW

15+
Brands

37
Manufacturing Facilities

3,000+
Employees

FINANCIAL PERFORMANCE

Reported Standalone Financials

₹ 27,577 crore
Revenue from Operations

₹ 1,052 crore
Profit After Tax

13.68%
EBITDA Margin

₹ 14.46
Earnings Per Share

Credit Rating: Crisil AAA/Stable

NON-FINANCIAL PERFORMANCE

88%
Employee Engagement Score*

44%
Improvement in Water-use Efficiency in Our Distilleries (Base Year FY20)

89%
Reduction in Greenhouse Gas Emissions (Base Year FY20)

Over **4 lakh** People Educated through our Responsible Drinking Programmes

*"Your Voice", an internal employee survey

BOARD OF *Directors*

Mahendra Kumar Sharma
Chairman & Independent Director

Hina Nagarajan
Managing Director & CEO

V K Viswanathan
Independent Director

D Sivanandhan
Independent Director

Rajeev Gupta
Independent Director

Dr. Indu Shahani
Independent Director

John Thomas Kennedy
Non-Executive Director

Mark Dominic Sandys
Non-Executive Director

Pradeep Jain
Executive Director and Chief Financial Officer

Mamta Sundara
Non-Executive Director

Committee Membership

Audit Committee | Risk Management Committee | Stakeholders' Relationship and General Committee

Corporate Social Responsibility & Environmental, Social and Governance Committee | Nomination and Remuneration Committee

Notes:

- Randall Ingber, resigned as a director with effect from the end of day January 31, 2023.
- New appointments effective 1 February 2023: Pradeep Jain as Executive Director and Chief Financial Officer and Mamta Sundara as Non-Executive Director.
- John Kennedy has resigned from the Board. His effective date of cessation is from the end of day June 30, 2023.

CHAIRMAN'S *Message*

I am pleased with the performance delivered by the team during the year. We have built a strong foundation to drive business efficiencies, deliver consistent value, build credibility and trust, and engage our talent.

Dear Shareholders,

It gives me great pleasure to share that our sharp focus on the execution of the growth strategy and enhanced productivity initiatives have made us a bigger and stronger entity over the years.

While the operating environment remained challenging for the industry amidst double-digit inflationary pressures and geo-political headwinds leading to the surge in prices of critical raw materials, we navigated the headwinds successfully and delivered sustained double-digit growth, demonstrating the resilience of our business and strategy.

Creating value

I am pleased with the performance delivered by the team during the year. We have built a strong foundation to drive business efficiencies, deliver consistent value, build credibility and trust, and engage our talent. Our focus is to create an organisation of the future that is agile and resilient and also enables our systems and processes to deliver profitable growth for our shareholders in a consistent and sustainable manner. In view of this, the Company has embarked on certain transformational projects which include a multi-year supply agility programme.

In addition, we are taking steps to simplify our legal entity footprint and completed the merger of Pioneer Distilleries Limited this year. These, along with other initiatives such as the removal of mono-cartons will help us to progress towards creating an efficient and sustainable business entity. We continue to make good progress in achieving our Society 2030 goals and our efforts have been recognised. The Alliance for Water Stewardship (AWS) Certification (Core) for our distillery in Alwar is a testament to our commitment on driving water stewardship.

Our environment

While we expect inflationary headwinds to continue in the near term, we remain optimistic about the medium to long-term business prospects and our ability to harness growth opportunities. The convergence of India's robust economic growth and a vibrant, burgeoning young Legal Drinking Age demographic creates a massive opportunity for our industry to grow. The larger consumption story remains anchored in premiumisation with rising consumer aspirations, higher disposable incomes and drinking better, not more. Moreover, consumer behaviour is undergoing a structural shift with consumers preferring to experiment and repertoire drinking has picked up as a trend.

Looking ahead

As we move forward, with a continued focus on premiumisation, and renewed thrust on craft and innovation, we are confident of capitalising on evolving market trends and propelling growth. We will continue to invest in our brands and explore future growth opportunities, unlock better value for all stakeholders and shape positive outcomes for our society.

In closing, I want to express my gratitude to our shareholders, for your continued confidence in our Company. I would also like to thank my fellow Board Members for their guidance and support.

Warm Regards,

Mahendra Kumar Sharma
Chairman

MANAGING DIRECTOR & CEO'S *Message*

Dear Shareholders,

It is a pleasure to share Diageo India's performance for the financial year 2022-23. Your Company demonstrated strong growth momentum even as the external environment remained challenging. Before delving into the progress made across the key pillars of the strategy, let me share the financial highlights.

Performance

For the full year, reported net sales increased 10.1% consistent with our ambition of delivering double-digit growth. It reflects the recovery in the on-trade, continued consumer demand in the off-trade and sustained home consumption trends. Strong premiumisation delivery and the accelerated reach of our innovations like Royal Challenge American Pride and the renovated offerings including Royal Challenge and Signature are adding to the mix benefit. Our Prestige & Above segment contributed 80.6% of reported net sales, an increase of 22.8% demonstrating a strong growth rate of the portfolio in line with our premiumisation strategy. Our Profit After Tax grew at 23.6% to ₹ 1,052 crore.

Our capital allocation strategy is balanced, value accretive and indexed towards supporting core growth through renovation, innovation and new growth engines.This aligns well with our long-term vision of providing consumers with greater choices and newer offerings. We remain focussed on our strategy of reshaping the portfolio, driving commercial excellence: in-store and on-premise, revenue growth management and everyday efficiency and productivity extraction.

A strong foundation for future growth

The country is at an inflexion point and our transformational growth strategy is designed to help us capitalise on the opportunities with our "future-back" approach. During the year, we have made good progress across the three pillars of our strategy; this has instilled confidence in us, that we are on the right track.

Accelerating portfolio reshape

We have intensified brand innovations and renovations over the last year aligned with changing consumer choices, entry of new cohorts and premiumisation trends.

With the thrust on innovation, and to strengthen our craft and premium portfolio, we invested ₹ 45 crore to set up our Innovation Hub, "The Good Craft Co.", in Ponda, Goa last year.

I am happy to share that our Technical Centre and Innovation Accelerator in Bengaluru is the first in the industry to be recognised by the Department of Scientific and Industrial Research (DSIR) , a demonstration of our leading in-house Research & Development capabilities.

During the year, we introduced Johnnie Walker Blonde, a light scotch variant for the next-generation non-scotch consumer. We have also launched Godawan 100, an exclusive limited edition artisanal single malt that honours and advocates the conservation of the Great Indian Bustard, an endangered bird. I am proud to share that Godawan, an example of exceptional Indian craftsmanship won the superior taste award at the International Taste Institute Brussels, the Grand Gold & Gold Awards at The Monde Selection World Quality Awards, Brussels and Silver at the World Spirits Awards, Austria. Godawan is now available across six states in India and globally in UAE and USA. We sharpened our portfolio execution on salient segments and brands such as Black & White, Black Dog and Royal Challenge. We also accelerated the reach of our innovations such as Royal Challenge American Pride and the renovations of Royal Challenge and Signature in the country.

As part of our prudent active portfolio management, we completed the sale and franchising of select popular brands to Inbrew Beverages Private Limited. We also completed the merger of Pioneer Distilleries Limited and signed definitive agreements to divest the non-operative Sovereign Distilleries Limited. These strategic developments enable a simplified legal entity footprint.

Building future-ready capabilities

We continue to focus on embedding digital capabilities, enhancing business efficiency and driving inclusion & diversity at all levels.

The country is at an inflexion point and our transformational growth strategy is designed to help us capitalise on the opportunities with our "future-back" approach. During the year, we have made good progress across the three pillars of our strategy; this has instilled confidence in us, that we are on the right track.

Carrying forth the spirit of "Keep Walking" by Johnnie Walker, we launched Walkers & Co., a platform that celebrates a new generation of culture shapers who are pushing boundaries across genres.

We continued to accelerate consumer engagement, content and community building through "In.thebar.com" a one-stop place accessible through the website and social media to help people celebrate and create memorable moments.

During the year, we continued to leverage technologies such as AI for market visibility and reach, salesforce automation, predictive analysis for sourcing and blockchain-based track and trace system to curb counterfeiting, drive consumer transparency and measure our sustainability interventions.

In addition to efficiency savings, we have embarked on a three-year supply chain agility programme. The programme will help strengthen our end-to-end supply chain and improve its resilience, agility and efficiency, thereby making it future-ready.

As part of our Inclusion & Diversity (I&D) priority, our aim is to have 50% women representation in our leadership team by 2025. We have made good progress during the year with 50% women representation in our executive committee and 50% of our new hires being women. Our continued efforts have resulted in driving inclusion, over 60 people with disabilities are working in our manufacturing units and we are expanding the narrative to the LGBTQ+ community.

I am delighted to share that our 100% subsidiary, Royal Challengers Sports Private Limited has won the bid to own and run the Women's Premier League team for Bangalore. This is yet another step in taking forward our inclusion and diversity agenda, and is aligned with our purpose of celebration.

We continue to invest in our talent to help them develop capabilities for the future. Our internal "Your Voice" Survey reflected our passion and purpose, and our overall employee engagement score is 88%, an increase of 2 points from the previous year. 95% are proud to work for Diageo India and 87% would recommend Diageo India as a great place to work. Diageo India was recognised as a Silver Employer by Pride Circle India Workplace Equality Index and the Most Preferred Workplace 2022 in association with India Today, a testament to our many efforts towards creating an equal and inclusive workplace.

Accelerating our Sustainability journey

We continued to deliver on our Society 2030: Spirit of Progress, ESG action plan. Our sustained efforts have yielded positive results across key areas such as water stewardship, waste management, circularity, safety and corporate governance.

I am delighted to share that our Alwar distillery in Rajasthan, is the first spirit distillery in Asia to receive the coveted Alliance for Water Stewardship (AWS) certification (core). A global benchmark for water stewardship, this certification is a recognition of our sustainable water management practices in Alwar, Rajasthan. USL was also recognised as a "Top-Rated ESG Performer for 2022" by Sustainalytics in their newly released 2023 Top-Rated ESG Companies list.

During the year, we announced our partnership with The Nature Conservancy for a regenerative agriculture programme in Punjab and Haryana for rice and wheat crop farmers.

We are also leveraging an innovative technology that draws water from the air, thereby saving groundwater, and this water will soon be used in Godawan.

We launched our maiden Environmental, Social, Governance (ESG) Reporting Index providing an overview of the progress made across the three pillars of our Society 2030 goals and initiated the phased removal of mono-cartons starting with our premium scotch brands to help reduce paper wastage and carbon emission.

Read more in the BRSR section of the report.

The way ahead

While inflationary pressures are expected to continue in the near term, we remain confident in the resilience of our business and industry. India's consumption and growth story remains strong with rising incomes and purchasing power and the youngest large economy in the world, adding 100 million 'new consumers' entering Legal Drinking Age in the next 5 years.

With the consumer at the heart of our business, the strength of our reshaped portfolio and the investment we are making to accelerate our strategic priorities, we are confident of growing the business in a consistent and sustainable way to create long-term value for all our stakeholders.

I extend my gratitude to the Board for their counsel and support. I would also like to thank you all for your steadfast support to Diageo India and look forward to creating better value for all our stakeholders.

Warm Regards,

Hina Nagarajan

Managing Director & CEO

BUILDING A PORTFOLIO OF *Progressive Power Brands*

Diageo is proud to be one of the best brand builders in the world offering meaningful and purposeful brands that are loved and trusted by millions of consumers globally and in India. Our brands and brand engagement efforts put innovation, inclusivity and sustainability at the centre of their purpose, reflecting evolving consumer needs.

COMMITMENT TO SUSTAINABILITY

We took our commitment to sustainability to the next level with key initiatives across our portfolio.

Signature "Green" experiential events and partnerships

In line with its proposition of being crafted with nature and its aspiration to be the "greenest whisky brand in India", Signature Packaged Drinking water associated with the iconic and sustainable Ziro Music Festival. Signature also launched "Green Vibes", a series of unique "festivals with nature", focussing on sustainability and authentic provenance.

Taking the "Spirit of the Desert" to the World

Our artisanal single malt, Godawan, which won several global awards continues to promote mindful luxury and conscious consumption while actively working towards conserving the near-extinct Great Indian Bustard. The brand was launched in New York, while a limited edition Godawan 100 range was launched for private collectors in Jaipur, with proceeds from sales going towards the conservation of the bird's habitat. The brand continued to be associated with the Cannes Film Festival this year, making it a benchmark for Indian artisanal single malts. Godawan will use sustainable drinking water generated through innovative technology that draws water from the air to conserve ground water.

Removal of Mono Carton

We initiated the phased removal of mono cartons across our iconic brands: VAT 69, Black & White, Black Dog, McDowell's No1, Signature, Antiquity and Royal Challenge. This is aligned with our commitment to becoming sustainable by design. The initiative proactively engages consumers to promote a sustainable future and will result in saving 10,000 tonnes of paper and reducing 7,000 tonnes of carbon emissions annually.

PROGRESSIVE PORTRAYAL

Our purpose is to celebrate life every day, everywhere and with everyone. The year saw several brands taking bold steps ahead in progressive portrayal.

Meet Walkers & Co.

Bringing to life the rallying cry of "Keep Walking", Walkers & Co., launched by Johnnie Walker Refreshing Mixer (Non-Alcoholic), is a platform that sparks fresh conversations around the tenets of collaboration, co-creation and communities. Walkers & Co. celebrates individuals driven by self-belief, who have a unique sense of purpose, and whose work inspires collective progress in their communities. Our lead Walkers include international musicians & creators John Legend and Raja Kumari, Drag Queen & LGBTQ+ advocate Sushant Divgikar aka Rani KoHEnur and contemporary artist & designer Hanif Kureshi.

Walkers & Co. X Cultural Hotspots

Walkers & Co. brought alive the spirit of collaboration, co-creation and community through music and art, making its presence felt in moments in culture, such as "Lollapalooza", "Royal Challengers Unboxing" prior to the Tata IPL, and "Sauce by Social", defining the now and next in culture.

Say Hello to the Royal Challenge "Naya Shers"

Following the set path has always been professed as the right one through generations. But the Naya Shers are "choosing bold", breaking out and charting their own path, and represent the confident Indians who want to make a mark. We celebrate these vertical invaders with a brand anthem anchored by Royal Challenge Packaged Drinking Water.

The Royal Challenge brand is committed to driving diversity and inclusion, a fact that shines through in our women director-producer duo as well as Jonita Gandhi leading the charge in the campaign, besides championing influencers leading attitudinal change over body positivity and vitiligo.

Take a Seat at the "Table for Everyone" with Black & White

"Table for Everyone" by Black & White Ginger Ale is a unique platform that creates new spaces and lays the table for meaningful conversations that forge new connections or rekindle shared ones over unique culinary experiences.

To bring the ethos of the campaign alive, Black & White Ginger Ale launched a unique game called "Cards for Sharing", which propels the concept of authentic sharing into consumer homes. The cards contain simple, light-hearted yet thought-provoking questions that stimulate meaningful sharing and forge bonds amongst diverse people.

PASSIONATELY INNOVATIVE

We remained focussed on bringing new and innovative experiences to our consumers, resulting in some of the most exciting launches during the year.

Meet the Bright Side of Whisky, Johnnie Walker Blonde

Johnnie Walker Blonde is the latest addition to the Johnnie Walker family. Designed to be a lighter and brighter liquid, Johnnie Walker Blonde is perfect for both scotch lovers and the fun-loving and curious new spirits drinkers. Consumers found themselves on the bright side as they experienced Johnnie Walker Blonde at the launch event with strategic pop-ups in cultural spaces including Lollapalooza India.

Join the American Pride with Royal Challenge American Pride

Our commitment to bringing world-class liquids for the discerning consumer took us to launch the bold new Royal Challenge American Pride, a premium, accessible, smooth blend of Indian Malts with American Bourbon.

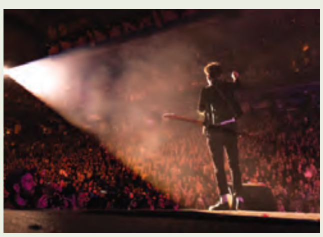
Through strong bartender advocacy and focussed interventions, consumers and trade have helped spread the word, resulting in this liquid flying off the shelves across the country.

Discovering a Symphony of Flavour with Tech

Consumer experiences took a bold step forward with Johnnie Walker leveraging technology to create an immersive lounge experience. The event saw consumers arrive at the perfect cocktail suited to their palette through an interactive tabletop.

BRANDS' PLAY IN CULTURE

Our brands were not just at the helm of culture but also expanded their play in culture to match the affinities of the new consumers.



Forever No1 Yaari – McDowell's No1 Soda

The singer KK who passed away last year was an iconic voice in the Indian music industry. His song "Yaaron" was an anthem for friendship and as a tribute to his legacy, McDowell's No1 collaborated with the original music director, Leslie Lewis, and the late singer's children to recreate the magic of the song on Friendship Day. This rendition also brought together his best friend, Shaan, and other artists from the industry in Mumbai for a truly touching tribute to the icon on his birthday, creating an anthem that generated huge consumer engagement and drove brand love and culminated in a magical tribute night with friends and family flocking to sing their tribute to the legendary singer.

AWARDS

GODAWAN

- Won the Superior Taste Award at the International Taste Institute Brussels
- The Grand Gold & Gold Awards at The Monde Selection World Quality Awards, Brussels
- Silver Award at the World Spirits Award, Austria
- Afaqs Marketers Excellence Award Gold for Packaging Design
- Afaqs Marketers Excellence Award Gold for Best Brand Identity System
- Icons of the Whisky organised by Whisky Magazine, UK:
  - Alwar Distillery won the Craft Producer of the Year award for Godawan
  - Brand Innovator of the Year award for Godawan

EPITOME RESERVE

- Epitome Reserve won the Brand Innovator of the Year award at the "Icons of the Whisky" organised by Whisky Magazine, UK

Signature

- INDSPIRIT awards by Ambrosia for Best IMFL Premium Whisky

BLACK DOG

- Won the WorldStar Award for Black Dog packaging from the World Packaging Organization
- Black Dog 14 YO Blended Scotch Whisky won the INDSPIRIT awards by Ambrosia for the Best Blended Scotch Whisky (12 Years & above BII) and Best Packaging Award (Unit Pack)
- Exchange4media (E4M) India Design Excellence Bronze Award for Black Dog Renovation under the rebranding category
- Silver for Best Brand Evolution and Bronze for Best Visual Identity from the Food & Beverage sector and Best Use of Packaging categories at the Transform Awards
- Afaqs Marketers Excellence Award Silver for Packaging Design
- Afaqs Marketers Excellence Award Bronze for Best Brand Identity System

Black & White

- Bronze at the ETBrandEquity Brand Strategy Awards for the Black & White Ginger Ale Magic of Sharing campaign in the Digital Media Plan - other platforms category

ROYAL CHALLENGE

- Royal Challenge Meri Dilli ki Nayi Whisky Limited Edition Pack won a Silver at the India Design Excellence Awards for packaging design

JOHNNIE WALKER

- Johnnie Walker Blonde Blended Scotch Whisky won the INDSPIRIT awards by Ambrosia for Best Blended Premium Scotch Whisky (BIO) and Best Packaging Award (Overall aesthetic)
- Exchange4media (E4M) The Mobile Marketing Awards (MADDIES): Gold for best innovation: Johnnie Walker Refreshing Mixer Drone Show
- Silver award for the Johnnie Walker Refreshing Mixer Drone Campaign in the Best Media Innovation: Digital-Social Media category at Emvies introduced by the Advertising Club Bombay
- ETBrandEquity Brand strategy awards: Gold for the Johnnie Walker Refreshing Mixer Drone Campaign in the Tech Enabled Media Plan category

McDowell's No1

- McDowell's No1 Soda IPL 2022 campaign won two bronzes at the Exchange4media (E4M) India Marketing Awards for Best Use of PR and Best Use of Omni Channel Marketing
- McDowell's No1 won the Bronze for Best Brand Evolution and Best Brand Experience categories at the Transform Awards

BUILDING A *Future-Ready Organisation*

We take great pride in our exceptional culture rooted in its profound sense of purpose, a relentless drive to succeed, and a deep personal connection to our brands and colleagues. Our commitment to building a winning organisation includes prioritising the growth and development of our team members through openness, inclusivity, industry-leading policies, and a differentiated employee experience, empowering them with the skills to tackle the challenges of tomorrow.

NURTURING INCLUSIVE AND DIVERSE WORKPLACES

We celebrated the third edition of INC Week, our employee-led global annual event to foster a culture that respects and values individuals of all backgrounds. INC Week is a testament to our commitment to promoting an inclusive workplace for everyone, across all our locations.

We further reinforced our commitment to accelerating inclusion and diversity in our workplace with new guidelines that provide additional support for bereavement and pregnancy loss and champion support for the LGBTQ+ community and People with Disabilities (PwD).

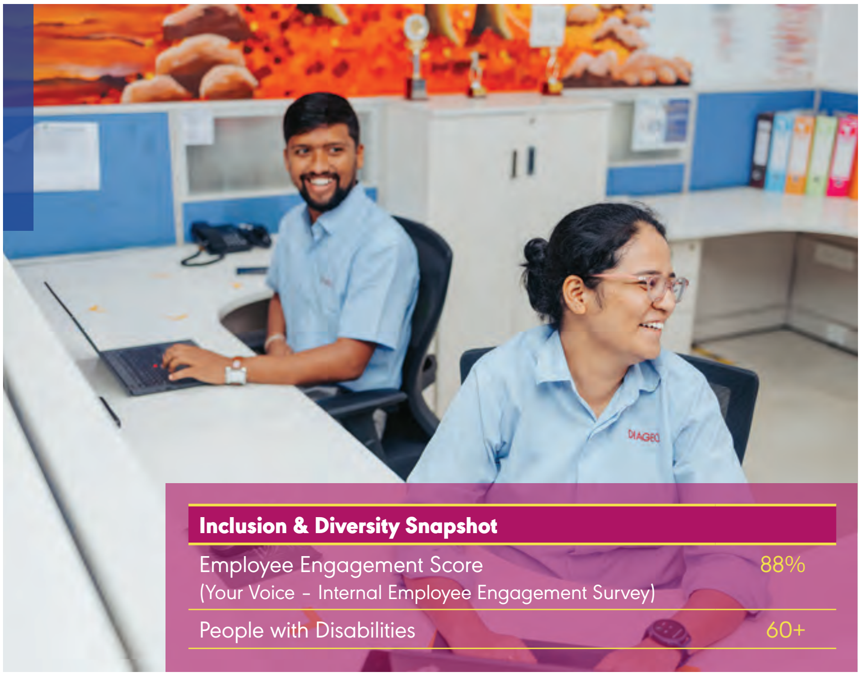
Pregnancy Loss Guidelines: We recognise that pregnancy loss is a grieving process that requires patience and time. The guidelines offer support for those who unfortunately experience this process, regardless of gender, sexual orientation or tenure at Diageo, providing expecting mothers up to 26 weeks and their partners with 10 days of paid leave.

Gender Identity, Sexual Orientation and Gender Expressions Guidelines: These guidelines demonstrate our commitment to LGBTQ+ inclusion and supporting our transgender and non-binary colleagues, while also inviting all employees to disclose their gender identity, sexual orientation and pronouns voluntarily and confidentially on our HR system.

Disability Inclusion Guidelines: These guidelines were created by our employees from around the world, in consultation with "Disability:IN", a leading non-profit resource for business disability inclusion worldwide, as well as our "We Are All Able" employee resource group. The guidelines offer advice on disability-inclusive language, practical tips for improving digital and physical accessibility, and considerations to bear in mind during recruitment and access to training modules. We have also enhanced our disability disclosure options on our HR system to enable voluntary and confidential identification of disability status, including mental health and neurodiversity.

During the year, Diageo India was recognised as a Silver Employer by Pride Circle India Workplace Equality Index, a testament to all our initiatives towards creating an equal and inclusive workplace.

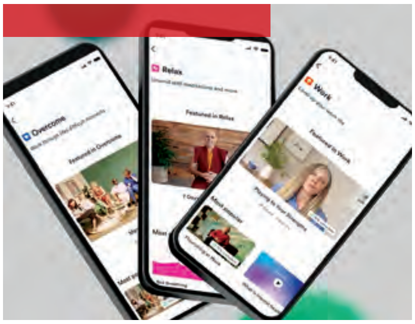
Our current female representation in the Executive Committee is 50% and 35% in our Senior Leadership Group (Level 3 & above).



Inclusion & Diversity Snapshot	
Employee Engagement Score (Your Voice – Internal Employee Engagement Survey)	88%
People with Disabilities	60+

COMMITMENT TO OUR PEOPLE'S WELLBEING

We believe that our people's productivity thrives when they are physically and mentally healthy, emotionally balanced, financially secure, and socially connected. We conducted multiple sessions focussed on holistic wellbeing and launched the following initiatives:



Unmind: This app for mental wellbeing provides free access to various tools, including exercises, stories, soundscapes, sleep melodies and workouts, to reduce stress and anxiety, improve sleep quality and boost mood. Additionally, the app includes an interactive capability programme and a Mental Health Index to assess wellbeing. Our employees also have the option to invite a "Plus One" to use the app.

Hustle: This is a premium fitness platform that provides live workouts and fitness plans to help our employees achieve their fitness goals and lead healthier, happier and more productive lives.

Wellness Policy Enhancements: Committed to providing comprehensive health benefits to all our employees, we enhanced our corporate medical insurance policy to include coverage for cervical vaccinations and annual health check-ups to help identify and prevent potential health issues.

INVESTING IN OUR EMPLOYEES' CAREER, GROWTH AND DEVELOPMENT

We are driving a high-performance culture and unlocking the growth potential of our people by providing them with the right developmental experiences.

Last year, we launched the "Diageo Digital Now" programme created in association with Circus Street. The programme focusses on upskilling and equipping the employees with the right tools to win in the rapidly evolving digital landscape. In addition, we are accelerating the capability building for our diverse workforce, by adopting precision learning and dynamic skills approach.

"Craft My Career 2.0", our new Global Career Month initiative, featured internal and external leaders sharing valuable insights on building a career for the future. The initiative garnered a strong response, with over 900 participants and an impressive eNPS score. One of the highlights of the initiative was the Speed Mentoring programme, which facilitated cross-functional learning and networking by bringing together mentors and mentees from various departments and levels within the organisation.

We prioritise career development with a comprehensive framework that includes regular performance reviews, career conversations and personalised development plans based on individual aspirations. This has enabled many employees to advance within the Company, filling 57% of open job roles in FY 2023.

We focus on retaining our top talent by investing in leadership development. Through our flagship "Impact Coaching" programme, managers are equipped with the skills to facilitate regular discussions around employee well-being, development and growth. Our aim is to establish a coaching culture, and we ensure that all people managers receive the necessary resources and support to incorporate coaching into their daily interactions. With over 70% of our senior leadership team already trained in Impact Coaching, we plan to extend the training to all people managers in the coming year. Additionally, our digital learning platform provides employees with personalised learning pathways and self-paced courses to develop their technical, functional and soft skills.

SOCIETY 2030: *Spirit of Progress*

Society 2030: Spirit of Progress is our 10-year action plan to help create a more inclusive and sustainable world. The plan enables us to generate a positive impact on our Company, within our communities and society. Under this plan, our strategic priorities are to pioneer grain-to-glass sustainability, champion inclusion and diversity and promote positive drinking all underpinned by doing business the right way. It is how we will continue to celebrate life every day, everywhere.

PIONEERING GRAIN-TO-GLASS SUSTAINABILITY

Our continued long-term success depends on the people and planet around us. Therefore, our efforts cover three key areas: preserve water for life, accelerate to a low carbon world and become sustainable by design.

Preserve water for life

Target

- Use 40% less water than today for every drink we make by 2030
- Replenish more water than we use in all our water-stressed areas by 2026

Progress in FY23

As part of our water stewardship efforts, we have created a capacity to replenish 4,79,047 Cu.M of water and initiated projects to facilitate additional water replenishment capacity of 2,75,000 Cu.M. across our water-stressed sites. In addition, we have improved water use efficiency in our distilleries by 44%* and in packaging by 30%*, against the target of 40% by 2030. We will also use sustainable drinking water that leverages innovative technology to draw water from the air in Godawan, our artisanal single malt, to save groundwater.

Accelerate to a low carbon world

Target

- Achieve net-zero carbon emissions (Scope 1 & 2) across direct operations by 2030
- Reduce our value chain (Scope 3) carbon emission by 50%
- Sustain 100% use of renewable fuel and increase the in-house potential for renewable energy

Progress in FY23

We have reduced greenhouse gas emissions from our operations by 89%*, and we have eliminated the use of coal across our distillery operations by switching to renewable energy. We have increased our in-house solar energy generation capacity to 2.7 MW from 1.3 MW, achieved 98.5%* renewable energy use status in operations and are well poised to achieve 100% renewable energy status ahead of our 2030 target. We also launched an afforestation drive to plant 1,00,000 trees to offset residual greenhouse gas emissions.

We have developed a strategy to reduce carbon across our extended value chain (Scope 3 emissions) by engaging closely with raw material and packaging material suppliers to switch to renewable and low-carbon fuel alternatives.

Become sustainable by design

Target

- Make 100% of our packaging widely recyclable by 2030
- Increase recycled content in all Packaging to 60% by 2030

Progress in FY23

During the year, over 99% of the packaging material used was widely recyclable and we are well positioned to achieve our target of 100% by 2030. In addition, more than 55% of the packaging material purchased was made of recycled content.

During the year, we launched a Regenerative Agriculture programme in Punjab and Haryana in partnership with The Nature Conservancy India. The programme will initially equip over 5,000 small-holder farmers with best practices, knowledge, and tools to help transform into regenerative agricultural practices. The farmers will receive training and attend workshops on direct seeding, crop residue management, efficient irrigation, improved soil health and agroforestry.

CHAMPIONING INCLUSION AND DIVERSITY

To build a better business and world, we actively promote inclusion and diversity across our business, with our partners and within our local communities.

We are expanding our inclusive culture and have over 60 people with disabilities as part of Project Saksham which provides long-term support for their employment and development.

Our "Learning for Life" programme is designed to improve employment and livelihood opportunities for persons from under-represented communities. 1,784 students were trained for the hospitality sector through a National Skill Development Council (NSDC) certified programme. We ensure that over 50% beneficiaries of this project are women.

The Company trained over 8,000 people through Diageo Bar Academy, a comprehensive learning platform for bar owners and bartenders.

Our teams continue to work closely with our suppliers and agencies to advance positive, sustainable economic impact in the diverse communities from where we source. We will continuously measure and increase the percentage of diverse suppliers across our value chain each year.

Our subsidiary, Royal Challengers Sports Private Limited has won the bid to own and run the Women’s Premier League team for Bangalore. This win provides us with the opportunity to promote our narrative of inclusion and diversity and is aligned with our purpose of celebration.

PROMOTING POSITIVE DRINKING

We champion responsible drinking by encouraging moderation and addressing the harmful use of alcohol through focussed interventions to curb underage drinking, drink driving and binge drinking.

Act Smart India

Underage drinking is never acceptable and to tackle the consumption of alcohol by young people, we have launched the "Act Smart India" programme. During the year, over 1,14,543 youth participated in this programme that uses powerful storytelling as a tool to create awareness about the dangers of underage drinking.

Wrong Side of the Road

Our Anti-Drink drive programme, "Wrong Side of the Road" is developed together with the United Nations Institute for Training and Research (UNITAR). The programme uses a series of real-life scenarios to sensitise participants on the effects of drink driving. We have also partnered with 25 Regional Transport Offices and set-up tab labs to spread awareness. Around 2,34,807 consumers participated in this anti-drink driving learning experience.

DRINKiQ Website

Information is a critical component for empowering consumers to make responsible choices. DRINKiQ is a dedicated online platform and an important tool in promoting moderation and addressing the impact of harmful drinking. During the year, 52,642 visitors were educated on making responsible choices by providing information and resources to encourage moderate consumption.

RECOGNITIONS

- Our Distillery in Alwar Rajasthan is the first spirit distillery in Asia to receive Alliance for Water Stewardship (AWS) Certification (Core). The AWS Standard is intended to drive social, environmental and economic benefits at the scale of a catchment.

WSAS | WATER STEWARDSHIP ASSURANCE SERVICES

ALLIANCE FOR WATER STEWARDSHIP

CERTIFICATE CERT-000027
Issue Date: 2023-01-26
Effective Date: 2023-01-26
Valid Until: 2026-01-26
First Certification: 2023-01-26

CERTIFICATION
Certification Date: 2023-01-26
Valid Until: 2026-01-26

CERTIFICATE

AWS International Water Stewardship Standard v2.0

United Spirits Limited - Alwar
24, UB Tower, Vittal Mallya Road
Bengaluru, 560001
INDIA

AWS Reference Number: AWS-000371

WSAS herewith certifies that the above mentioned site or group is in compliance with the AWS International Stewardship Standard v2.0. This certificate is valid for a period of three (3) years, contingent upon annual surveillance audits and provided that the site or group continues to meet the conditions as laid out in the AWS Standard, AWS Certification Requirements and the Certification Agreement with WSAS.

Catchment: Ruparel Basin
Industry Sector: Food & Beverage Production
Scope: Single Site

Certification level

Certified Core

Authorised by Lisa Seufert, Head of Certification

- Sustainalytics, a global leader in ESG research and data, recognised United Spirits Limited as a 'Top-Rated ESG Performer for 2022' in the 'ESG Industry Top Rated Category'.
- Diageo India was recognised as the winner in the 'CSR of the Year' category at the Spiritz Achievers' Awards 2022.

KEY HIGHLIGHTS

89%*
Reduction in greenhouse emissions from our operations

98.5%*
Use of renewable energy in operations

44%*
Improvement in water-use efficiency in distilleries

4,79,047 Cu.M
Water replenishment capacity created

Over **4 lakh** people educated through our responsible drinking programmes

1,784
Beneficiaries trained in hospitality skills under the "Learning for Life" programme

*against base year FY20.

UNITED SPIRITS LIMITED

Registered Office: "UB Tower", No. 24, Vittal Mallya Road, Bengaluru – 560 001

Tel: 080-2221 0705; Fax: 080-39856862; Corporate Identity Number: L01551KA1999PLC024991

Website: www.diageoindia.com I e-mail: investor.india@diageo.com

Notice

Notice is hereby given that the twenty-fourth Annual General Meeting ("AGM") of the members of United Spirits Limited ("the Company") will be held on Monday, 31st July, 2023 at 3.30 p.m. through Video Conferencing ("VC")/Other Audio-Visual Means ("OVAM") to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements (including Consolidated Financial Statements) of the Company for the financial year ended March 31, 2023 and the Reports of the Board of Directors' and Auditors thereon.

2. To appoint a Director in place of Mr. Mark Dominic Sandys (DIN:09543864) who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

3. **Approval of Material Related Party Transactions**

   To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to Section 188 of the Companies Act, 2013 ('Act') and other applicable provisions, if any, read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, to the extent applicable, including any other applicable provision(s) or statutory modification(s) or re-enactment thereof for the time being in force), the provisions of Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), read with the Company's 'Policy on Related Party Transactions' and as per the recommendation/approval of the Audit Committee and the Board of Directors of the Company, approval of the Members of the Company be and is hereby accorded for continuing with Material Related Party Transactions/contracts/ arrangements/agreements by United Spirits Limited ("USL" or "Company") with Diageo Brands B. V. Netherlands ("DBBV"), a Related Party within the meaning of Section 2(76) of the Act, and Regulation 2(1)(zb) of the Listing Regulations for the financial year 2023-24, individually and/or in the aggregate upto an amount of ₹1500 crore (Rupees one thousand five hundred crore only) provided however, that the said contracts/arrangements/ transactions shall be carried out on an arm's length basis and in the ordinary course of business of the Company in the nature of:

   a) Approval for procuring BIO (Bottled in Origin brands) for distribution in India Market

   b) Approval for procuring bulk scotch for [manufacturing/ bottling] Diageo Brands in India (Bottled in India or BII brands)

   c) Approval for import of bulk scotch for manufacturing Company's brands

   d) Availing/rendering of any kind of service(s), or any other transaction(s) for transfer of resources, services or obligations and other reimbursements or recoveries ('Residual RPTs').

   Collectively ("RPTs") on such terms and conditions as detailed in the explanatory statement to this Resolution and as may be mutually agreed between the Company and DBBV.

   RESOLVED FURTHER THAT the Board of Directors of the Company ('the Board', which term shall be deemed to include the Audit Committee) be and is hereby authorised to perform and execute all such acts, deeds, matters and things, including delegation of all or any of the powers conferred herein, as may be deemed necessary, proper or expedient to give effect to this resolution and for the matters connected therewith or incidental thereto, and also to settle any issue, question, difficulty or doubt that may arise in this regard as the Board in its absolute discretion may deem fit or desirable, subject to compliance with the applicable laws and regulations, without the Board being required to seek any further consent / approval of the Members."

   By Order of the Board

   Mital Sanghvi
   Company Secretary

   Place : Mumbai
   Date : May 18, 2023

Notes:

1. Ministry of Corporate Affairs (MCA) vide Circular No. 14/2020 dated April 8, 2020, Circular No. 17/2020 dated April 13, 2020, Circular No. 20/2020 dated May 05, 2020, Circular No. 02/2021 dated January 13, 2021, Circular No.19/2021 dated December 08, 2021, Circular No. 21 dated December 14, 2021, Circular No. 02/2022 dated May 05, 2022 and Circular No. 10/2022 dated December 28, 2022 "MCA Circulars" and Securities and Exchange Board of India (SEBI) vide its Circular No. SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated May 12, 2020, Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11

Notice (Contd.)

dated January 15, 2021, Circular No. SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 and Circular No. SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated January 5, 2023 issued by SEBI (hereinafter collectively referred to as 'Circulars') permitted companies to hold Annual General Meeting ('AGM') through video conference ("VC") or other audio visual means ("OAVM"), without the physical presence of members at a common venue. Accordingly, the AGM of the Company will be held through VC/OAVM. In compliance with the provisions of the Companies Act, 2013 ("the Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and MCA Circulars, the 24th AGM of the Company is being held through VC/ OAVM on Monday, 31st July 2023 at 03:30 P.M. (IST). The deemed venue for the AGM will be the Registered Office of the Company.

2. In compliance with the aforesaid Circulars, Notice of the AGM along with the Annual Report 2022-23 is being sent through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the Notice and Annual Report for the year 2022-23 will also be available on the Company's website www.diageoindia.com, websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively.

3. The Explanatory Statement, pursuant to Section 102 of the Act, setting out the material facts concerning the Special Business in the Notice is annexed hereto and forms part of this Notice. The relevant details, pursuant to Listing Regulations and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India ("ICSI") in respect of Directors seeking re-appointment at this meeting are also annexed.

4. The Circulars waived the requirement of permitting the members to appoint proxies to attend and vote on his/her behalf, as the AGM is being held through VC/OAVM. Accordingly, the facility for appointment of proxies by the members will not be available. However, in pursuance of section 112 and section 113 of the Companies Act, 2013, representatives of the members such as the President of India or the Governor of a State or body corporate can attend the AGM through VC/OAVM and cast their votes through e-voting. The Proxy Form, Attendance Slip and route map are not annexed to this Notice.

5. Institutional shareholders/corporate shareholders intending to authorize their representatives to participate and vote at the meeting are requested to send a certified copy of the board resolution/authorization letter to the Scrutinizer by email at the email id sudhir.compsec@gmail.com or to the Company at the email Id investor.india@diageo.com or upload on the VC portal/ e-voting portal.

6. Participation of members through VC/OAVM will be reckoned for the purpose of quorum for the AGM as per Section 103 of the Companies Act, 2013 ("the Act").

7. Members are required to immediately inform the Company's Registrars and Transfer Agents (RTA), Integrated Registry Management Services Private Limited (IRMSPL) #30, Ramana Residency, 4th Cross, Sampige Road, Bengaluru – 560 003 (Telephone No. 080 23460815-818 Fax No. 08023460819), in case of shares held in physical form and to the respective Depository Participants, in case of shares held in dematerialized/electronic form, the details about their email addresses, if any, so that all notices and other statutory documents which are required to be sent to the members, as per the provisions of the Companies Act, 2013, can be sent to their email addresses.

8. Members holding shares in physical form, holding in the same name or same order of names under different ledger folios are requested to apply for consolidation of such folios, to the Company's Registrars and Transfer Agents. Members may please address all their documents/correspondence relating to the equity shares of the Company directly to the Company's Registrars and Transfer Agents.

9. Members are requested to intimate changes, if any, pertaining to their name, postal address, e-mail address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc.

   a) For shares held in electronic form: Contact your Depository Participants (DPs)

   b) For shares held in physical form: Pursuant to SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/37 dated March 16, 2023, submit duly filled prescribed forms by sending email from your registered email id to bglsta@integratedindia.in and by sending a physical copy of the duly filled and signed prescribed forms by the registered holders with the Company/Registrar and Transfer Agent Members. You can find prescribed forms on Company's website: https://www.diageoindia.com/en/investors/shareholder-centre/downloads

10. Members may please note that SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated January 25, 2022 has mandated the listed companies to issue securities in dematerialized form only while processing service requests viz., Issue of duplicate securities certificate;

Notice (Contd.)

claim from unclaimed suspense account; renewal/ exchange of securities certificate; endorsement; sub-division/splitting of securities certificate; consolidation of securities certificates/ folios; transmission and transposition. Accordingly, Members are requested to make service requests by submitting a duly filled and signed Form ISR – 4, the format of which is available on the Company's website at https://www.diageoindia.com/en/investors/shareholder-centre/downloads. It may be noted that any service request can be processed only after the folio is KYC Compliant.

11. As mentioned above, the Company's equity shares are under compulsory dematerialization. Accordingly, trading of these shares through the stock exchanges would be facilitated if the share certificates are dematerialized. Members with physical share certificates are advised to consider opening a demat account with an authorised Depository Participant (DP) and arrange for dematerializing their shareholdings in the Company. Members may please note that effective April 1, 2019 transfer of shares are not permitted through physical mode pursuant to SEBI notification dated June 8, 2018.

12. As per the provisions of Section 72 of the Act and SEBI Circular, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. If a member desires to opt out or cancel the earlier nomination and record a fresh nomination, he/she may submit the same in Form ISR-3 or SH-14 as the case may be. The said forms can be downloaded from the Company's website https://www.diageoindia.com/en/investors/shareholder-centre/downloads. Members are requested to submit the said details to their DP in case the shares are held by them in dematerialized form and to RTA in case the shares are held in physical form.

13. All Unclaimed Dividend for the period from April 1, 1999 to March 31, 2013, required to be transferred to the Investor Education and Protection Fund ("Fund") in terms of the provisions of the Companies Act, 1956 and the Companies Act, 2013, were transferred to the Fund. The Company has not declared any dividend from financial year 2013-14 till date.

14. Members may note that the Unclaimed Dividends which are transferred to the Fund can be claimed only by submitting an application in form IEPF-5 to the Ministry of Corporate Affairs ('MCA') available on website www.iepf.gov.in. Details of unclaimed dividend have been uploaded on the Company's website www.diageoindia.com.

15. The members are requested to email their grievances for redressal at bglsta@integratedindia.in or investor.india@diageo.com.

16. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administrations) Rules, 2014, the Company is pleased to provide to members with a facility to exercise their right to vote at the 24th AGM by electronic means and the votes may be cast through electronic voting ('e-voting') services provided by Central Depository Services (India) Limited ['CDSL'].

17. Facility for e-voting shall also be made available during the meeting and members attending the meeting through video conference, who have not cast their vote by remote e-voting can exercise their vote during the meeting.

18. Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

19. Any person who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at helpdesk.evoting@cdslindia.com. However, if he/she is already registered with CDSL for remote e-voting then he/she can use his/her existing user ID and password for casting the vote.

20. The instructions for shareholders voting electronically are as under:

    In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, and Regulation 44 of the SEBI Listing Regulations, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by CDSL, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below:

    The remote e-voting period begins on 27th July 2023 at 9.00 a.m. (IST) and ends on 30th July 2023 at 5.00 p.m. (IST). During this period shareholders of the Company, holding shares either in physical form or in dematerialized form as on the cut-off date i.e. 24th July 2023, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Notice of the AGM is also disseminated on the website of CDSL www.evotingindia.com.

Notice (Contd.)

(i) **Information and instructions for Remote e-voting by Individual Shareholders holding shares of the Company in demat mode:**

In terms of **SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated December 9, 2020** on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Pursuant to abovesaid SEBI Circular, Login method **for e-Voting and joining virtual meetings for Individual shareholders holding securities in Demat mode CDSL/NSDL** is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with **CDSL**	1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasinew/home/login or visit www.cdslindia.com and click on Login icon and select New System Myeasi. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e. CDSL/NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' website directly. 3) If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasinew/Registration/EasiRegistration. 4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page or click on https://evoting.cdslindia.com/Evoting/EvotingLogin. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.

Notice (Contd.)

Individual Shareholders holding securities in demat mode with **NSDL**	1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS "Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.
Individual Shareholders (holding securities in demat mode) login through their **Depository Participants**	You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

(ii) Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with **CDSL**	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdsl.com or contact at toll free no. 1800 22 55 33.
Individual Shareholders holding securities in Demat mode with **NSDL**	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30

Notice (Contd.)

(iii) Login method for e-Voting and joining virtual meetings for **Physical shareholders and shareholders other than individual holding in Demat form.**

1) The shareholders should log on to the e-voting website www.evotingindia.com.

2) Click on "Shareholders" module.

3) Now enter your User ID

a. For CDSL: 16 digits beneficiary ID,

b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,

c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.

4) Next enter the Image Verification as displayed and Click on Login.

5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.

6) If you are a first-time user follow the steps given below:

	For Shareholders holding shares in Demat Form and Physical form.
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) • Shareholders who have not updated their PAN with the Company/ Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/ RTA.
Dividend Bank Details **OR** Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. • If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field.

(iv) After entering these details appropriately, click on "SUBMIT" tab.

(v) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(vi) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(vii) Click on the EVSN for the Company.

(viii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(ix) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(x) After selecting the resolution, you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

(xi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.

(xiii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xiv) There is also an optional provision to upload BR/POA if any uploaded, which will be made available to scrutinizer for verification.

Notice (Contd.)

(xv) **Additional Facility for Non – Individual Shareholders and Custodians –For Remote Voting only.**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the "Corporates" module.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login will be mapped automatically & can be delink in case of any wrong mapping.
- It is Mandatory that, a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively Non Individual shareholders are mandatorily required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; sudhir.compsec@gmail.com or investor.india@diageo.com respectively (designated email address by company) , if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL/MOBILE NO. ARE NOT REGISTERED WITH THE COMPANY/DEPOSITORIES.

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to **Company/RTA email id.**
2. For Demat shareholders - Please update your email id & mobile no. with your respective Depository Participant (DP).
3. For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022-23058542/43.

INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:

1. The procedure for attending meeting & e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-Voting.
2. The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for e-Voting.
3. Shareholders who have voted through Remote e-Voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM.
4. Shareholders are encouraged to join the Meeting through Laptops/IPads for better experience.
5. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
6. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
7. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast **5 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at investor.india@diageo.com. The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **5 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile

Notice (Contd.)

number at investor.india@diageo.com. These queries will be responded appropriately by the Company.

8. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting.

9. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

10. If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

11. Mr. Sudhir V. Hulyalkar, Company Secretary in Practice (CP - 6137); Address: 4th Floor, Prabhas Complex #27/1, S. Kariyappa Road, Basavanagudi, Bengaluru - 560 004 has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

12. The Scrutinizer shall, not later than two working days after the conclusion of the AGM make a consolidated Scrutinizer's Report of the votes cast in favour or against, if any, to the Chairman or a person authorized by him and the Company will declare the results of the voting forthwith.

13. The results declared along with the Scrutinizer's Report will be placed on the Company's website www.diageoindia.com and on the stock exchanges' website, National Stock Exchange of India Limited at www.nseindia.com and BSE Limited at www.bseindia.com, immediately after the result is declared by the Chairman or any person authorised by the Company and communicated to the concerned stock exchanges.

14. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested, maintained under section 189 of the Act, will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, i.e. 31st July 2023. Members seeking to inspect such documents can send an email to investor.india@diageo.com.

Notice (Contd.)

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 3: Approval of Material Related Party Transactions

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

As per the provisions of Section 188 of the Companies Act, 2013 ('Act'), transactions with related parties which are undertaken on an arms' length basis and in the ordinary course of business, are exempted from the obligation of obtaining prior approval of shareholders. However, with effect from 1st April, 2022, Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), mandate prior approval of the shareholders through an ordinary resolution for all 'material' related party transactions. For this purpose, a transaction with a Related Party shall be considered 'material', if such transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed ₹1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower. In accordance with the change in materiality threshold, the transactions with Diageo Brands B. V. Netherlands for the financial year 2023-24 are expected to cross the aforesaid materiality threshold of ₹1000 crore, and hence the same are placed before the shareholders for their approval.

Detailed Background:

The Company and Diageo Brands B. V. Netherlands (DBBV) are step-down subsidiaries of Diageo PLC, a global leader in beverage alcohol with an outstanding collection of brands. Over the last 8 years, the Company's arrangements with DBBV have contributed to its premiumisation journey and in the process, has improved the overall profitability of the Company.

The following categories of arrangements/transactions with DBBV are being placed before members for their approval:

a) Approval for procuring BIO (Bottled in Origin Brands) for distribution in India Market

Pursuant to approval of shareholders obtained on 9th January 2015, Company had entered into distribution agreement with various Diageo entities viz. -(1) Diageo Scotland Limited; (2) Diageo Brands B.V.; (3) Diageo North America Inc.; (4) Justerini & Brooks Limited; (5) R & A Bailey & Co.; (6) Diageo Chateau & Estates Wine Company; and (7) Diageo Ireland. This is for distribution of Diageo's Bottled In Origin (BIO) products such as Johnnie Walker, Tanqueray, Baileys, Talisker, Singleton and other products. These are finished products, majority of which are distilled, matured and bottled in Scotland. Though agreement was executed for abovementioned 7 entities, import documentation and invoicing are routed through Diageo Brands B V Netherlands (DBBV) as it acts as a trade service provider to all Diageo entities for intercompany BIO procurements. This is practiced for simplification of process and providing one face to the buying entity. The arrangement covers both existing and future BIO brands. Company is also entitled to return/re-export these BIO products to DBBV in the event of any business exigencies. The BIO portfolio of Diageo's products enjoys immense brand equity worldwide including India with a rich legacy built over decades. The intellectual property over these products is owned by Diageo group and Company has the exclusive right to distribute the same in India.

Arms' length basis

In accordance with globally applicable transfer pricing principles, the Company earns an arms' length operating margin (Earnings Before Interest and Taxes or EBIT) from this arrangement. A periodic true up mechanism has been put in place to ensure adherence to the above pricing principles. Hence, this arrangement is on an arms' length basis.

Ordinary course of business

The following factors were considered in concluding that the above RPT is in the ordinary course of business of the Company:

- The transaction is covered in the objects clause of the Memorandum of Association (MOA) of the Company.
- The transaction is in furtherance of the business of the Company.
- The transaction is normal / routine for the Company's business.
- The transaction is repetitive / frequent.
- The Company has historically been undertaking this transaction with DBBV from 2015 and the shareholder approval is being sought now since the value exceeds ₹1000 Crores (i.e. this is a Material RPT).
- The income pursuant to this RPT is considered as business income of the Company in its books of accounts.
- Such transactions are common in the industry in which the Company operates.

b) Approval for procuring Bulk scotch for manufacturing Diageo Brands in India – Bottled in India (BII) brands

Pursuant to approval of shareholders obtained on 9th January

Notice (Contd.)

2015, Company has been distributing Diageo's Bottled In India (BII) brands such as VAT 69, Black & White and other products. As part of this arrangement, DBBV supplies bulk scotch to the Company who in turn bottles the same in India at its own/ third party's manufacturing facility. The arrangement covers both existing and future BII brands. The BII portfolio of Diageo's products enjoys immense brand equity worldwide including India with a rich legacy built over decades. The intellectual property over these products is owned by Diageo group and Company's responsibility include bottling and distributing these products on an exclusive products.

Arms' length basis

In accordance with globally applicable transfer pricing principles, Company earns an arm's length operating margin (Earnings Before Interest and Taxes or EBIT) from this arrangement. A periodic true up mechanism has been put in place to ensure adherence to the above pricing principles. Hence, this arrangement is on an arms' length basis.

Ordinary course of business

The following factors were considered in concluding that the above RPT is in the ordinary course of business of the Company:

- The transaction is covered in the objects clause of the MOA of the Company.
- The transaction is in furtherance of the business of the Company.
- The transaction is normal / routine for the Company's business.
- The transaction is repetitive / frequent.
- The Company has historically been undertaking this transaction with DBBV from 2015 and the shareholder approval is being sought now since the value exceeds ₹1000 Crores (i.e. this is a Material RPT).
- The income pursuant to this RPT is considered as business income of the Company in its books of account.
- Such transactions are common in the industry in which the Company operates.

c) Approval for Import of Bulk Scotch for manufacturing USL brands

Company also manufactures and markets its own scotch whisky in India. These brands include Black Dog, a premium whisky with a high brand recall in India. As per the industry convention, a scotch needs to be matured for a minimum period of 3 years in Scotland. Accordingly, in 2017, Company has approved for procurement of bulk scotch from Diageo Scotland Limited for using in blends of prestige and above segment whisky portfolio. Though agreement was executed with Diageo Scotland Limited, import documentation and invoicing are routed through Diageo Brands B V Netherlands (DBBV) as it acts as a trade service provider to all Diageo entities for intercompany BULK procurements. This is practiced for simplification of process and providing one face to the buying entity. Diageo as a global leader in scotch is able to provide supply security to the Company. The intellectual property over these products is owned by the Company.

Arms' length basis

In accordance with globally applicable transfer pricing principles, DBBV sells the bulk scotch to Company at arm's length price. A periodic true up mechanism has been put in place to ensure adherence to the above pricing principles. Hence, this arrangement is on an arms' length basis.

Ordinary course of business

The following factors were considered in concluding that the above RPT is in the ordinary course of business of the Company:

- The transaction is covered in the objects clause of the MOA of the Company.
- The transaction is in furtherance of the business of the Company.
- The transaction is normal / routine for the Company's business.
- The transaction is repetitive / frequent.
- The Company has historically been undertaking this transaction with DBBV and the shareholder approval is being sought now since the value exceeds ₹1000 Crores (i.e. this is a Material RPT).
- The income pursuant to this RPT is considered as business income of the Company in its books of account.
- Such transactions are common in the industry in which the Company operates.

d) Availing/rendering of any kind of service(s), or any other transaction(s) for transfer of resources, services or obligations and other reimbursements ('Residual RPTs').

In addition to the above and as is the common practice within a multinational group, Company could either avail of services from / render services to DBBV Entities within the Diageo group are party to a number of intercompany service transactions.

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The key service transaction categories include:

- reimbursement/recovery of expenses including for the following-
    - additional clearance cost or delivery/handling charges in respect of procurement
    - demurrage or detention charges of material
    - additional shipping cost or any other freight component
    - additional cost of rework due to improper stacking, packaging or loading
    - pertaining to availing/rendering service from registered global vendors of Diageo group, business shared services etc.
    - other general cost (e.g. travel, award, rent, electricity, other facility cost etc.).
- information system support services,
- share scheme cost recharges,
- international assignee cost recharges,
- management or consultancy service
- regional functions support and services, global procurement services,
- other back-office support services.

As part of its routine business operations, The Company may undertake either of these transactions with DBBV. These transactions are largely initiated based on the business requirements. Such arrangements help to realize economies of scale, cost savings, talent development etc. for constituents of a multinational group. Aggregate of all transactions in this category are expected to be within a sum of ₹17 crore.

Arms' length basis

In accordance with global transfer pricing policy, the service provider shall bill the service recipient cost incurred for the service plus an arm's length mark-up, wherever applicable.

Ordinary course of business

Rendering of / availing aforesaid services from companies forming part of the same group is a common practice followed by multinationals. Such transactions are in furtherance of the business of the Company and are normal/routine for the Company's business. Company has been historically undertaking such transactions with DBBV. Hence, the arrangement is in the ordinary course of business.

Benefit to the Company from these RPTs

The quantum of the benefits realised by the Company from these RPTs is subject to multiple factors including market conditions, demand and supply, structural shifts in the Indian alcohol industry, seasonal variations and other external conditions. Distribution by the Company in India of such premium brands owned by Diageo has positively contributed to the premiumisation journey of the Company in line with the evolving Indian market's strategic shift towards premium products. Such distribution has also contributed to absorption of fixed costs incurred by the Company by realising synergies including in areas of manufacturing, marketing, distribution, overheads etc. Further, these arrangements enable the Company to enhance its overall return on Invested Capital (ROIC) and an increase in Earnings Before Interest, Depreciation and Amortisation (EBITDA) per case.

In view of the compelling business rationale, Independent directors are of the view that these RPTs are in the best interest of the Company.

The pricing arrangements between DBBV and the Company for the related party transactions are governed by internationally accepted transfer pricing methodology and are subject to regulatory scrutiny by tax authorities of both entities. The transactions have been confirmed as being undertaken at arm's length by independent professionals and do not yield any undue benefit to either party.

The terms and conditions of the proposed RPTs are not unfavourable to the Company, when compared to the terms and conditions of similar transactions, entered into between two unrelated parties.

Given the above factors, the RPTs would benefit the Company as a whole and its shareholders (including the minority shareholders) and there is no incremental benefit to the controlling shareholder or any other specific shareholder of the Company.

Mechanism

The actual export/dispatch of BIO, BII and bulk scotch is undertaken by Diageo Scotland Limited which acts as a Consignor since the products are manufactured in Scotland. Import documentation and invoicing for the above is done by Diageo Brands B. V. Netherlands (DBBV) which acts as a Seller to the Company (Consignee).

Historical approval of shareholders

The Shareholders of the Company had approved the agreement on 9th January 2015 between the Company and DBBV for the manufacture and distribution of Bottled in India

Notice (Contd.)

(bulk) products under licence from Diageo Brands B.V. in India and the distribution agreement with, *inter alia*, Diageo Brands B.V., Diageo North America, Inc. and Diageo Scotland Limited for the distribution of bottled in origin products (manufactured by or on behalf of the relevant Diageo brand owner company) in India. Approval of the shareholders is now being sought since the value of transactions with DBBV are expected to exceed ₹1000 crores during the financial year 2023-24.

Other related party transactions with Diageo group

In addition to the above RPTs, as a good corporate governance practice, members are being informed that the Company also undertakes other related party transactions with Diageo group entities. All such arrangements are undertaken on an arms' length basis and in the ordinary course of business. Since such transactions are not likely to exceed the relevant thresholds, no separate approval of members is being sought. The aggregate value of such transactions did not exceed ₹160 crores during financial year 2022-23.

The value of RPTs with DBBV for the period commencing from 1st April, 2023 till the date of this Notice has not exceeded the threshold of ₹1,000 crores and the Company will ensure that the same does not exceed the said threshold upto the date of the 24th AGM, i.e. July 31, 2023.

The RPTs carried out with DBBV will be placed before the Audit Committee on a quarterly basis.

Process for dealing with related party transactions

The Company has in place a structured process for approvals with respect to RPTs.. As per the process, necessary details of the related party transactions (irrespective of the materiality threshold) along with justifications are provided to the Audit Committee which enables it to arrive at the right decision.

The Audit Committee, after reviewing necessary information provided in the below table, has granted its approval for the above mentioned RPTs. It has noted that the said RPTs are on an arms' length basis and have been undertaken in the ordinary course of business.

The relevant information as required under Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, as amended and SEBI circular vide. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021 is given below:

Sr. No.	Particulars	Details
1	Name of the Related Party	Diageo Brands B. V., Netherlands
2	Nature of Relationship with the Company	Fellow subsidiary
3	Name of the director or key managerial personnel who is related, if any	Not Applicable
4	Type, material terms and particulars of the proposed transaction	I) BIO The Company will import and distribute, *inter alia*, the following products within India (not limited to brands listed here)- (a) Johnnie Walker and related variants; (b) J&B; (c) Ciroc; (d) Baileys; (e) Lagavulin; (f) Tanqueray; (g) Talisker; etc. The Company will abide by the confidentiality, non-compete and protection of intellectual property obligations. All invoices are denominated in Indian Rupees (and hence there is no foreign exchange exposure risk to the Company) with payment term of 120 days. II) BII (for manufacturing Diageo Brands): The Company will manufacture and distribute the following products within India: (a) VAT 69; (b) Black & White; The Company will abide by the confidentiality, non-compete and protection of intellectual property obligations. All invoices are denominated in Indian Rupees (and hence there is no foreign exchange exposure risk to the Company) with payment term of 120 days.

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Sr. No.	Particulars	Details

		III) Bulk Scotch (for manufacturing USL brands):
		(i) USL shall obtain all necessary licenses or other requisite documents and shall pay all applicable customs, duties and taxes to purchase and import the Spirit.
		(ii) Risk of damage to or loss of the Spirit shall pass to USL when such Spirit has been delivered in accordance with the agreement.
		(iii) USL shall pay the full invoice amount as per payment term of 120 days.
		IV) Rendering / Availing services
		• reimbursement/recovery of expenses including for the following-
		  • additional clearance cost or delivery/handling charges in respect to procurement
		  • demurrage or detention charges of material
		  • additional shipping cost or any other freight component
		  • additional cost of rework due to improper stacking, packaging or loading
		  • pertaining to availing/rendering service from registered global vendors of Diageo group, business shared services,
		  • other general cost (e.g. travel, award, rent, electricity, other facility cost etc.)
		• information system support services,
		• share scheme cost recharges,
		• international assignee cost recharges,
		• management or consultancy service
		• regional functions support and services, global procurement services,
		• other back-office support services.

5	Tenure of the proposed transaction	Financial Year 2023-24
6	Value of the proposed Transaction	₹1500 Crores
7	Any advance paid or received for the contract or arrangement, if any;	Not applicable
8	Percentage of the Company's annual consolidated turnover for the immediately preceding financial year that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);	5.4%
9	Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPTs on a voluntary basis	5.7% (for the period July 2021 to June 2022)

Notice (Contd.)

Sr. No.	Particulars	Details
10	If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary: i. details of the source of funds in connection with the proposed transaction. ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments • nature of indebtedness; • cost of funds; and • tenure; iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.	Not Applicable
11	Justification as to why the RPT is in the interest of the Company	As per rationale provided in para above.
12	Details about valuation, arms' length and ordinary course of business	As explained elsewhere in this Explanatory Statement, the RPTs satisfy the arms' length principle and meet the test of being in the 'ordinary course of business.
13	Valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction	Company has obtained report from Ernst & Young LLP confirming that the above arrangement satisfies the principle of arms' length and ordinary course of business. This report is available on the website of the Company https://media.diageo.com/diageo-corporate-media/media/fw2lsa3t/report-on-rpt-with-dbbv-2023.pdf
14	Any other information relevant or important for the shareholders to take an informed decision	None

None of the Directors or Key Managerial Personnel of the Company or their respective relatives, is concerned or interested in the resolution.

The said transaction(s) have been recommended by the Audit Committee and Board of Directors of the Company for consideration and approval by the Members.

It is pertinent to note that no related party of the Company shall vote to approve this Resolution whether the entity is a related party to the particular transaction or not.

The counterparty to this related party transaction is a fellow subsidiary of the Company and not a member who is entitled to vote and hence, there is no conflict, Diageo Relay B.V., being the holding company of the Company, shall not vote on this resolution.

By Order of the Board

Mital Sanghvi
Company Secretary

Place: Mumbai
Date: May 18, 2023

Notice (Contd.)

Disclosure relating to Directors pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Clause 1.2.5 of the Secretarial Standards on General Meetings:

Name of Director	Mr. Mark Sandys
Age	48 years
Date of first appointment on the Board	1st April 2022
Expertise in specific functional Areas	Marketing
Experience	25 years
Brief resume	Mr. Mark Sandys has worked at Diageo for over 25 years, beginning as a graduate trainee. He first joined Diageo in 1997 as a graduate trainee and worked for his first five years in sales and marketing roles on the Guinness brand in Great Britain, before managing the Gin portfolio in the UK and then taking the position of Strategy & Innovation Director for the Baileys Global Brand team in Dublin. In July 2022, Mr. Mark Sandys was appointed Chief Innovation Officer for Diageo responsible for the full portfolio of brands worldwide, and for all of Diageo's R&D and Sustainability. His role is to lead shaping the future of Diageo, and of the drinks industry, by creating brands, platforms and variants that meet consumer needs of the future. Prior to this role, he was the Global Head of Beer, Baileys, Smirnoff & Captain Morgan from 2014 to 2022. In this role he was accountable for all of Diageo's beer businesses worldwide, and some of the largest and most loved spirits brands in the world. Before then, Mr. Mark Sandys was the Category Director, Whisky & Reserve, for Diageo Asia Pacific based in Singapore, and the Marketing Director for Diageo Russia and Eastern Europe, based in Moscow. Mr. Mark Sandys was a member of the board of Guinness Nigeria PLC from August 2017 to January 2023. He is a graduate of Oxford University and became a Fellow of The Marketing Academy in 2018.
Qualifications	Graduate from Oxford University
Terms and conditions of appointment/ re-appointment	He is a director nominated by Diageo Relay B V, holding Company and does not receive any remuneration from the Company and accordingly he was not paid any remuneration ever since he became a director.
Last Drawn Remuneration Details along with remuneration sought to be paid	Mr. Mark Sandys does not receive any sitting fees, commission or stock options from the Company. He is entitled to draw expenses incurred for travelling / boarding to participate in Board / Committee Meetings and other Company related work, in his capacity as the Non-Executive Director of the Company.
No. of Board meetings attended	Mr. Mark Sandys attended 5 board meetings out of 5 Board Meetings held in the financial year 2022-23.
Directorships details	Listed Public Companies: Nil Public Companies: Nil Foreign Companies: 1. Diageo Ireland Unlimited Company 2. Diageo Ireland Holdings Unlimited Company 3. Diageo Turkey Holdings Limited 4. Guinness Storehouse Limited List of other Indian Directorships held along with listed entities from which the person has resigned in the past three years: Nil
Committee Positions	**Member:** Corporate Social Responsibility & Environmental, Social and Governance Committee United Spirits Limited **Chairperson:** Nil
No. of Shares held in the Company	Nil
Relationship with other directors	Not related to any of the directors of the Company

Report of the Directors

Dear Members,

Your directors are pleased to present the 24th Report of Directors of your Company and the audited financial statements for the year ended March 31, 2023.

₹in million

Particulars	Standalone		Consolidated	
	2022-23	2021-22	2022-23	2021-22
The working of your Company for the year under review resulted in				
Revenue from operations	2,75,775	3,07,731	2,78,154	3,10,618
Other income	742	337	731	355
Total Income	**2,76,517**	**3,08,068**	**2,78,885**	**3,10,973**
Total expenses	**2,65,333**	**2,96,393**	**2,67,849**	**2,98,455**
Share of net loss in associate	-	-	14	-
Profit before exceptional items and tax	11,184	11,675	11,022	12,518
Exceptional items, net	1,709	(1,560)	1,764	(1,652)
Profit before tax	**12,893**	**10,115**	**12,786**	**10,866**
Total tax expenses	2,376	1,606	1,528	2,760
Profit for the year	**10,517**	**8,509**	**11,258**	**8,106**
Other Comprehensive Income:				
Exchange differences on translation of foreign operations			(17)	1
Remeasurements of post-employment benefit plans	(6)	165	(6)	164
Income tax credit / (charge) relating to these items	1	(41)	1	(41)
Total other comprehensive income for the year, net of tax	(5)	124	(22)	124
Total comprehensive income for the year	**10,512**	**8,633**	**11,236**	**8,230**
Total comprehensive income is attributable to:				
Owners			11,341	8,410
Non-controlling interests			(105)	(180)
Profit/(loss) available for appropriation	(510)	(11,022)	(3,080)	(13,544)
EPS-Basic & Diluted (₹)	14.46	11.70	16.01	11.68

During the current year revenue from operations decreased by 10.4% on standalone basis and by 10.5% on consolidated basis. Profit after tax has increased by 23.6 % on standalone basis and by 38.9% on consolidated basis. The challenges which United Spirits Limited ('USL' / 'Company') faced during the year and the environment in which the Company operates have been detailed is Management Discussion and Analysis Report which is forming part of this Annual Report ('Report').

Report of the Directors (Continued)

1. Performance of the Company

During the year under review, your Company's sales volume was 72.5 million cases resulting in a drop of 8.4% compared to previous year. This is largely on account of the slump sale of the business undertaking associated with 32 brands and franchising of 11 Popular brands to an unrelated party. The transaction was a conclusion of the strategic review of the select popular segment brands and was approved by the Board on 27 May 2022. Net sales/income from operations (net of duties and taxes) of your Company increased by 10.1% in the financial year ended March 31, 2023 which stood at ₹103,737 million (previous year ₹94,237 million).

With continuous focus on premiumization, overall Prestige & Above segment represented 66% of total volumes (Vs 54% in the previous year) and 81% of total net sales (Vs 72% in the previous year) during the financial year ended March 31, 2023. The Prestige and Above segment's net sales were up 22.8% with strong double-digit growth across the higher value sub-segments. The Popular segment represented 34% (Vs 46% in the previous year) of total volumes and 18% (Vs 26% in the previous year) of total net sales during the financial year ended March 31, 2023. The Popular segment's net sales declined by 25% during the financial year ended March 31, 2023. The decline this year was on account of the slump sale and franchising transaction mentioned above.

2. Material changes and commitments / events subsequent to the date of the financial statements

There are no material changes and commitments, affecting the financial position of the Company which has occurred between the close of the Financial Year as on March 31, 2023, to which the Financial Statement relate and the date of this Report.

3. Change in nature of business, if any

The details of change in nature of business, if any, are provided under Management Discussion and Analysis Report and the Report on Risk Management forming part of this Report.

4. Dividend

In view of the accumulated losses of the preceding years, your directors could not recommend any dividend.

5. Transfer to reserve

During the year under review, there was no amount transferred to reserves of the Company.

6. Capital

At the beginning of the year, the authorised capital was ₹7,19,20,00,000 (2,74,00,00,000 Equity shares of ₹2 each and 17,12,00,000 Preference Shares of ₹10 each). The National Company Law Tribunal, Bengaluru Bench ("NCLT") approved Scheme of Amalgamation and Arrangement of United Spirits Limited ("USL") with Pioneer Distilleries Limited ("PDL") and their respective shareholders and creditors vide order dated 4th November 2022. Pursuant to the NCLT order, the authorized share capital of PDL is added to the authorized share capital of USL and USL allotted 7,12,138 equity shares of ₹2/- each aggerating ₹14,24,276 to public shareholders of PDL in the ratio as per the Scheme.

The revised Share Capital is as below:

Particulars	₹
Authorized Capital	
2,82,75,00,000 Equity Shares of ₹2 /- each	5,65,50,00,000
17,37,00,000 Preference Shares of ₹10 /- each	1,73,70,00,000
Total	**7,39,20,00,000**
Issued, Subscribed and Paid-up Capital	
72,73,50,853 equity shares of ₹2/- each	1,45,47,01,706

7. Details of subsidiary companies and associate companies and their financial position

The performance of subsidiaries and associate Companies and their contribution to the overall performance of the Company is covered as part of the consolidated financial statement and form AOC-1 annexed as part of this Report as **Annexure-1**. Out of 9 subsidiary companies, 8 subsidiary companies are non-operative.

i. As mentioned in the Annual Report of 2021-22, the Board of Directors ("Board") of Pioneer Distilleries Limited, a listed subsidiary of the Company ("PDL") and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement in relation to the proposed merger of PDL with the Company under Sections 230 – 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. The National Company Law Tribunal, Bengaluru Bench ("NCLT"), vide Order dated November 4, 2022 approved the Scheme of Amalgamation and Arrangement and certified copy of the order was received on November 17, 2022. The merger was effective from December 30, 2022.

   Pursuant to the scheme on January 13, 2023, the Company allotted 7,12,138 number of fully paid up equity shares to PDL shareholders as on record date (January 06, 2023) in the ratio of 10 (ten) fully paid-up equity shares of face value ₹2 (Rupees two only) each of the Transferee Company, for every 47 (forty-seven) fully paid-up equity shares of face value ₹10 (Rupees ten only). These shares were listed with National Stock Exchange of India Ltd.("NSE") & BSE Limited ("BSE") effective 21st February 2023. The shareholding of Diageo Relay BV (the holding Company, a subsidiary of Diageo PLC) in the Company has changed from 55.94% to 55.88%.

Report of the Directors (Continued)

ii. During the year, Your Company made an investment of ₹315 million in Nao Spirits & Beverages Private Limited ("NAO"). Your Company has acquired 8,094 Compulsory Convertible Preference Shares and 4670 equity shares of NAO aggregating to 22.5% of shareholding. Subsequent to this investment, NAO is associate company of your Company. Further, on January 24, 2023, Board of Directors have approved further investment of ₹150 million. This investment will be made upon satisfaction of condition precedents.

Company has complied with the FEMA Regulations with respect to the downstream investment made in NAO Spirits & Beverages Private Limited.

iii. During the year, Sovereign Distilleries Limited (SDL) ceased to be subsidiary of your Company. Your Company has sold all equity shares held in SDL for consideration of ₹320 million, pursuant to approval of board of directors of the Company at their meeting held on 24th January 2023. SDL was a non-operative, wholly owned subsidiary company and consequently did not have any turnover or revenue or income. It had a net worth of approximately ₹174 million representing 0.3% of the Company's consolidated net-worth as on the aforesaid date.

iv. During the year, United Spirits (Shanghai) Trade Company Limited ("USSTCL"), wholly owned subsidiary of Company in China stands closed. USSTCL was a non-operative company and consequently did not have any turnover or revenue or operating income. It had a negative net worth of approximately RMB 1.81 million million. Since USSTCL was a non-operative company, its de-registration will not have any impact on the Company's business.

v. During the year, United Spirits Singapore Pte. Ltd. ("USSPL"), wholly owned subsidiary of Asian Opportunities and Investments Limited [Company's wholly owned subsidiary], in Singapore stands dissolved. USSPL was a non-operative company and consequently did not have any turnover or revenue or operating income. Since USSPL was a non-operative company, its voluntary winding up will not have any impact on the Company's business.

vi. Royal Challengers Sports Private Limited (RCSPL), a wholly owned subsidiary of your Company, reported a revenue from operations of ₹2442 million during the year which has degrew by 16.3%, primarily on account of reduction in central rights income from BCCI (change in IPL standing position and reduced number of matches played in current year). During the current year, RCSPL reported a loss of ₹ (116) million against the profit of ₹ 893 million in previous year, primarily on account of loss from Women's Premier League.

RCSPL participated in the tender conducted by the BCCI and won the bid for the Bangalore team for the Women's Premier League ("WPL") for ₹9010 million. This was one of the 5 successful bids for a WPL franchise and Team RCB finished 4th in the inaugural 2023 season.

The Company's policy for determining material subsidiaries is available at the Company's website at https://media.diageo.com/diageo-corporate-media/media/fcap5yuo/policy-on-material-subsidiary.pdf

In accordance with the third proviso to Section 136(1) of the Companies Act, 2013 the annual report and financial statements of each of the subsidiary companies have also been placed on the website of the Company https://www.diageoindia.com/en/investors/subsidiaries-financial

8. Prospects/Outlook

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

9. Board meetings, board of directors, key managerial personnel & committees of directors:

A. i) Resignation of Mr. Randall Ingber

Mr. Randall Ingber, Director of the Company, resigned as a non-executive director of the Company effective from end of the day January 31, 2023.

ii) Appointment of Mr. Pradeep Jain

Mr. Pradeep Jain, Chief Financial Officer was appointed as Whole Time Director designated as an "Executive Director and Chief Financial Officer" of the Company with effect from February 01, 2023. He continues to be Chief Financial Officer and Key Managerial Personnel of the Company.

iii) Appointment of Ms. Mamta Sundara

Ms. Mamta Sundara was appointed as a non-executive non-independent director of the Company with effect from February 01, 2023.

iv) Re-appointment of Mr. Mark Sandys

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

Members may please note that Mr. Mark Sandys, was appointed as a director on April 01, 2022. Mr. Mark Sandys is not debarred from holding the directorship under any statutory regulations. Details about Mr. Mark Sandys is provided in the Notice of the 24th annual general meeting of the Company.

Report of the Directors (Continued)

B. Independent Directors

Your Company did not appoint any new Independent Director in the financial year 2022-23. Criteria for selection/ appointment or re-appointment of Independent Directors include skills, expertise of the Director, qualifications, experience, and domain knowledge. The required skills of Independent Directors are leadership, managerial experience, diversity, risk management and corporate governance. All our Independent Directors viz., Mr. Mahendra Kumar Sharma, Mr. V K Viswanathan, Mr. D Sivanandhan, Mr. Rajeev Gupta and Dr. (Mrs.) Indu Shahani possess the aforesaid skills.

C. Declaration by Independent Directors

Independent Directors have given a declaration pursuant to sub-section (6) of Section 149 of the Companies Act, 2013. In the opinion of the Board, Independent Directors fulfill the conditions specified in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) Regulations) and are independent of the management.

D. Number of meetings of the Board

The details of the Board Meetings and other Committee Meetings held during the financial year 2022-23 are stated in the Corporate Governance Report which is forming part of this Report.

E. Board Committees

The Company has the following committees of the Board:

- Audit Committee
- Risk Management Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship and General Committee
- Corporate Social Responsibility and Environmental, Social and Governance Committee

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

F. Policies

The Company has adopted all policies as required under the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations. The same are uploaded on the website of the Company. Policy on directors and senior appointments and Remuneration and rewards policy were merged and renamed as Nomination and Remuneration Policy.

Further, certain changes were made to the policy to align with the Company's guidelines and practices as required under section 178 of the Companies Act, 2013.

The revised policy was recommended by the Nomination and Remuneration Committee and was approved by the Board. The policy is uploaded on the website at https://media.diageo.com/diageo-corporate-media/media/chwfdoi0/nomination-remuneration-policy.pdf

The salient features of the revised policy are:

- The Scope of the policy is appointment and remuneration of the Directors, Key Managerial Personnel ("KMP"), Senior Management Personnel ("SMP") and other employees.
- The policy lays down the appointment criteria, qualifications, relevant expertise etc. and that the appointment of directors including managing directors, whole time directors, non-executive directors and independent directors shall be in accordance with the provisions of the Companies Act, including schedule IV and V of the Act and the rules made thereunder and the provisions of the SEBI Listing Regulations.
- The appointment of Directors, KMP and SMP shall be recommended by the NRC to the Board and appointment of directors is subject to approval of shareholders. Additionally, approval of the audit committee is required for the appointment of the Chief Financial Officer.
- The remuneration philosophy of the Company is designed on following principles:
  - i. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully
  - ii. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - iii. remuneration to directors, SMP and KMP involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
  - iv. the Company will benchmark the ratio of remuneration of senior leaders to the median remuneration of all employees with its peer group companies on a periodic basis.
  - v. the benchmark compensation positioning will be the market median based on a periodic market benchmarking study

Report of the Directors (Continued)

undertaken by an external firm. For specific niche functions, skills and roles, a higher benchmark positioning may be targeted to attract and retain talent.

- The policy details the approval process for the remuneration payable to:
  - a) Managing Director/Chief Executive Officer/Whole time director;
  - b) Remuneration to independent directors
  - c) KMPs, SMPs and other employees
- The Non-executive Non-Independent Director shall not be entitled to receive any sitting fees and commission.
- The policy provides a brief note on familiarisation of the independent directors and succession policy for orderly succession for appointments of members of the Board and for appointments of senior management personnel.

G. Recommendations of the audit committee and other committees

All the recommendations of the Audit Committee and of the other Committees were accepted by the Board.

H. Details of remuneration to directors

As required under section 197(12) of the Companies Act, 2013 information relating to remuneration paid to Directors during the financial year 2022-23 is provided in the Corporate Governance Report.

As stated in the Corporate Governance Report, sitting fees is paid to Independent Directors for attending Board/Committee meetings. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred in attending such meetings. In addition, the Independent Directors are also eligible for commission every year as may be recommended by the Nomination and Remuneration Committee and approved by the Board within the overall limit of ₹4 Crore or 1% of the net profits of the Company calculated in accordance with section 198 of the Companies Act, 2013, whichever is higher, as approved by the shareholders in twenty third Annual General Meeting held on August 09, 2022. Criteria for payment of remuneration to Independent Directors are as given below:

i. Membership of Committees

ii. Chairmanship of the Committees/Board

iii. Benchmarking with other companies

The Board of Directors have approved payment of commission of ₹20 million to five independent directors after applying the criteria stated above for the financial year 2022-23.

The criteria for payment of remuneration to executive directors is determined by the Nomination and Remuneration Committee based on various criteria including performance criteria. Nomination and Remuneration Policy is available on the Company's website https://media.diageo.com/diageo-corporate-media/media/chwfdoi0/nomination-remuneration-policy.pdf

I. Board evaluation criteria

Pursuant to the provisions of the Companies Act, 2013 and regulation 17 of the SEBI (LODR) Regulations, the Board has carried out an annual performance evaluation, based on parameters which, *inter alia*, include performance of the Board on deciding strategy, rating the composition & mix of Board members, discharging of their duties, handling critical issues etc. The parameters for the performance evaluation of the Directors include contribution made at the Board meeting, attendance, instances of sharing information on best practices applied in other industries, domain knowledge, vision, strategy and engagement with senior management, etc.

The Independent Directors at their separate meetings, review the performance of non-independent directors and the Board as a whole. Chairperson of the Company after taking into account the views of executive directors and non-executive directors, reviews the quality, quantity and timeliness of flow of information between the management and the Board for the Board to effectively and reasonably perform their duties. Based on the outcome of the performance evaluation exercise, areas have been identified for the Board to engage itself with and the same would be acted upon.

The details of the evaluation process are set out in the Corporate Governance Report which forms part of this Report.

J. Meeting amongst Independent Directors

Schedule IV of the Companies Act, 2013, SEBI (LODR) Regulations and Secretarial Standard - 1 on Meetings of the Board of Directors mandates that the Independent Directors of the Company hold at least one meeting in a year, without the attendance of Non-Independent Directors.

The Independent Directors met amongst themselves without the presence of any other persons on May 27, 2022, July 25, 2022, October 20, 2022, January 23, 2023.

Report of the Directors (Continued)

10. Vigil Mechanism

Your Company has established whistle-blower mechanism known as SpeakUp, which is being independently operated by a third-party agency. We encourage our employees or representatives acting on behalf of the Company, to raise their compliance concerns through this mechanism, apart from other internal reporting channels viz. Line Manager, HR Business Partner, Legal Business Partner and Business Integrity partner.

The SpeakUp channel is available on the Company's website at https://www.diageoindia.com/en/about-us/corporate-governance/speak-up, with services available in English and 5 other regional languages, and compliance concerns can be raised by any aggrieved person through web page or toll-free number.

The quality of investigation reports and remedial actions are reviewed and monitored by the Global Business Integrity team and Diageo India Business Integrity team. The decision on sanctions on the reported breaches are determined and monitored by a Compliance Committee for significant breaches and the Grievance Committee for other breaches, ensuring there is a collective, transparent and an unbiased decision-making process and that consistent action is undertaken in a timely manner to resolve the identified breaches.

A structured Breach Management Standard is in place which is in line with the Global Standard, for timely and conclusive resolution of compliance concerns raised through the whistle blower mechanism.

This vigil mechanism has been established to provide adequate safeguards against the victimization of employees, who avail this mechanism for reporting complaints and grievances in good faith and without fear of being punished for doing so. Access to the Chairman of the Audit Committee is provided as required under the Companies Act, 2013 and the SEBI (LODR) Regulations.

11. Related party transactions

The Company's policy on dealing with related party transactions was adopted by the Board on June 15, 2015 and further amended from time to time. This policy is available on the Company's website at https://www.diageoindia.com/en/investors/shareholder-centre/policies.

Form AOC-2 pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014 is set out in the **Annexure-2** to this Report.

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

12. Auditors

i) Financial audit

M/s. Price Waterhouse & Co. Chartered Accountants LLP (FRN 304026E / E-300009) Statutory Auditors of your Company, were appointed as Auditors of your Company from the conclusion of the 22nd AGM for a period of 5 years. Since the appointment is not subject to ratification of the appointment by the members at every AGM, no resolution is proposed at this AGM pursuant to the provisions of Companies (Amendment) Act, 2017.

The statutory auditors have given unqualified opinion on the financial for the financial year ended March 31, 2023.

ii) Secretarial Audit and Board's responses to observations, qualifications and adverse remarks in auditor's report

Pursuant to section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Secretarial Audit has been carried out by Mr. Sudhir V Hulyalkar, Practicing Company Secretary (FCS: 6040 and CP No. 6137) and his report is annexed as **Annexure–3**.

In the Secretarial Audit report, the Secretarial Auditor has reported that the gap between two consecutive meetings of the Risk Management Committee in terms of Regulation 21 (3C) of the Listing Regulations was exceeded on account of delay of 8 days. It is clarified that inadvertently the gap between two Risk Committee meetings exceeded by 8 days. The Company has taken note of this and the future meetings have been rescheduled to ensure compliance. Further the Company and the Board of Directors are serious about ensuring compliances and Company has a robust Risk Management framework including functional risk committees and national risk committee at an executive level which meets on a quarterly basis . The detailed report on Risk Management is enclosed in **Annexure-5**.

The secretarial auditor has also mentioned in his report that the Company needs to strengthen the process with regard to obtaining the prior approval of Audit Committee in all cases of related party transactions, whether it relates to renewal or modification of limits although such related party transactions have been subsequently ratified by the Audit Committee. It is clarified that the Company has taken note of the suggestion and the process has been strengthened.

Report of the Directors (Continued)

In addition, Pursuant to Regulation 24A of the SEBI (LODR) Regulation, the Secretarial Compliance Report for the financial year ended March 31, 2023, in relation to compliance of all applicable SEBI Regulations/ circulars/guidelines issued thereunder, is annexed as **Annexure-3A**. The Secretarial Compliance Report has been voluntarily disclosed as part of this Report as good disclosure practice. The said report has been submitted to the stock exchanges and is also available on the Company's website at https://media.diageo.com/diageo-corporate-media/media/gvqhqpgt/se_ascr_2023sd.pdf

iii) Cost audit

Consequent to the merger of Pioneer Distilleries Limited, the Company is required to make and maintain cost records for extra neutral alcohol (ENA) product as specified by the Central Government under sub-section (1) of section 148 of the Act. Accordingly, the Company has been making and maintaining the records as required.

13. Reporting of fraud by Auditors

During the year under review, neither the statutory auditors nor the secretarial auditor have reported to the Audit Committee or the Board, under section 143(12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in this Report.

14. Corporate governance

A Corporate Governance Report for the year under review is annexed separately which forms part of this annual report. Board confirms compliance with Secretarial Standards.

15. Management discussion and analysis report

The Management Discussion and Analysis Report for the year under review is annexed separately which forms part of this annual report.

16. Fixed deposits

As reported in the earlier annual reports, your Company discontinued accepting fixed deposits from the public and shareholders effective January 1, 2014. In addition, pursuant to section 74(1)(b) of the Companies Act, 2013, the Board of Directors at their meeting held on August 1, 2014, decided to repay all fixed deposits maturing on or after March 31, 2015, by March 31, 2015, by paying additional interest of 1% per annum on those fixed deposits repaid before the maturity date pursuant to the contract entered into with the Fixed Deposit holders. During the year the Company has transferred the unclaimed deposits of ₹2,942,789 to Investor Education and Protection Fund (IEPF) and the balance as on March 31, 2023 was NIL.

17. Annual return

In accordance with section 92(3) of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, a draft annual return in e-form MGT-7 for financial year 2022-23 uploaded on Company's website https://www.diageoindia.com/en/investors/financials/results-reports-and-presentations. Members may also note that the annual return uploaded on the website is a draft and the final annual return will be uploaded after the same is filed with the Ministry of Corporate Affairs ('MCA').

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

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

i) Dividend:

The Company has not declared any dividend from financial year 2013-14 onwards.

No unclaimed dividend, shares were required to be transferred to IEPF during the year ended March 31, 2023 to Investor Education and Protection Fund pursuant to section 124(6) of the Companies Act, 2013.

ii) Fixed Deposits:

1.	Accepted during the year	NIL
2.	Remained unpaid or unclaimed as at the end of the year	NIL
3.	Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved	NIL
4.	The details of deposits which are not in compliance with the requirements of Chapter V of the Companies Act, 2013	Not Applicable

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

Report of the Directors (Continued)

19. Human resources

Employee relations remained cordial at all the locations of the Company. Particulars of employees drawing an aggregate remuneration of ₹1,02,00,000/- or above per annum or ₹8,50,000/- or above per month, as well as additional information on employee remuneration as required under the provisions of rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as part of this Report in **Annexure-4** hereto.

20. Employees stock option scheme

Your Company has not offered any stock options to its employees during the year 2022-23 within the meaning of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

21. Particulars of loans, guarantees and investments

Loans, guarantees and investments covered under section 186 of the Companies Act, 2013 are detailed in Notes to the financial statements under Note 4, relating to investments and Note 5 relating to loans given as per the standalone financial statements for the year ended March 31, 2023.

22. Risk management

Details on Risk Management is annexed as **Annexure-5** to this Report.

23. Internal financial controls

During the year under review, Governance Risks and Controls (GRC) team has conducted detailed review of policies as per the direction of the management of the Company, to simplify the process and ensuring adherence. The GRC team also undertook comprehensive review of existing controls (SOX & non-SOX controls) and added attributes wherever required to ensure that controls are in alignment with the laid down policies and practices and meeting the global benchmark. It has been shared with the statutory auditors who have confirmed their alignment. The controls with additional attributes have been tested both by Management tester and by the Statutory auditors for its effectiveness. The Board after considering the materials placed before it reviewed the confirmation received from external parties and reviewed the effectiveness of the policies and procedures adopted by the Company for ensuring orderly and efficient conduct of its business, including adherence to Company's policy, safeguarding its assets, prevention and detection of frauds and errors and completeness of accounting records and timely preparation of financial statements. The Board has satisfied itself that the Company has laid down internal financial controls which are commensurate with the size of the Company and that such internal financial controls are broadly adequate and are operating effectively. The certification by the statutory auditors on internal financial control forms part of the audit report. A statement to this effect is also appearing in the Directors' Responsibility Statement.

24. Corporate social responsibility

Information on the composition of the Corporate Social Responsibility and Environmental, Social and Governance Committee (CSR & ESG) is provided in the Corporate Governance Report that forms part of this Report. Furthermore, as required by Section 135 of the Companies Act, 2013 and the rules made thereunder, additional information on the policy and implementation of CSR activities by your Company during the year are provided in **Annexure-6** to this Report.

25. Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars prescribed under section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, are set out in **Annexure-7** to this Report.

26. Details of significant and material orders passed by the regulators or courts impacting the going concern status and Company's operations in future pursuant to Rule 8(5)(vii) of Companies (Accounts) Rules, 2014

The Company has not received any significant or material order passed by regulators or courts or tribunals impacting the Company's going concern status or the Company's operations in future. The details of notices received from regulatory authorities and related matters have been disclosed as part of note no. 40 to the audited standalone financial statements for the year ended March 31, 2023 and as note no. 42 of the consolidated financial statements for the year ended March 31, 2023.

27. Disclosure as required under section 22 of Sexual Harassment of Women at Workplace (prevention, prohibition and redressal) Act, 2013

As per requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (SHWWA), the Company has designed and implemented a comprehensive policy and framework to promote a safe and secure work environment, where every person at the workplace is treated with dignity and respect. Moreover, the Company's policy is inclusive and gender neutral. Further, the complaint redressal mechanism detailed in the policy ensures complete anonymity and confidentiality to the parties.

Internal Committees (IC) have been constituted and each Internal Committee has appointed members who are employees of the Company and an independent external member, having extensive experience in the field. The Internal Committees meet on a half yearly basis to discuss matters on policy awareness, best practices, judicial trends, etc. During the

Report of the Directors (Continued)

year, Internal Committees have also been trained on nuances of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Internal Committees' role is to consider and resolve the complaints reported on sexual harassment at workplace. Investigation is conducted and decisions are made by the Internal Committees at the respective location, and a senior woman employee is the presiding officer on every case.

i) Number of complaints filed during the financial year: 2 (Two) complaints received

ii) Number of complaints disposed off during the financial year: 1 (One)

iii) Number of complaints pending as on end of the financial year: 1 (One) under progress

To build awareness in this area, the Company has been publishing newsletters, emailers, posters, conducting online training modules and monthly induction training for newly joined employees. Besides the refresher, virtual training programmes are conducted in the organization on a continuous basis for employees (including blue collared employees), consultants, contractual employees and permanent/contractual workers in regional languages. The Internal Committee has also conducted informal sessions to check the pulse at the grassroot levels.

28. Business Responsibility and Sustainability Report (BRSR)

In accordance with the SEBI (LODR) Regulations, 2015, the BRSR for the year under review is annexed separately which forms part of this annual report.

29. Other Disclosures

a. The Company has not issued equity shares with differential rights as to dividend, voting or otherwise.

b. The Company has not issued any sweat equity shares to its directors or employees.

c. No application has been made under the Insolvency and Bankruptcy Code; hence the requirement to disclose the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year is not applicable.

d. The requirement to disclose the details of difference between amount of the valuation done at the time of onetime settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof, is not applicable.

30. Directors' responsibility report

Pursuant to section 134 (5) of the Companies Act, 2013 in relation to financial statements (together with the notes to such financial statements) for the financial year 2022-23, the Board of Directors report that:

(i) in the preparation of the annual accounts for the financial year ended March 31, 2023, the applicable accounting standards have been followed and there are no material departures;

(ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2023 and of the profit of the Company for year ended on that date;

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

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

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

(vi) Proper systems have been devised to ensure compliance with the provisions of all applicable laws by implementing an automated process having comprehensive systems and securing reports of statutory compliances periodically from the functional units and that such systems are adequate and are operating effectively.

The Board of Directors place on record sincere gratitude and appreciation for all the employees at all levels for their hard work, solidarity, cooperation and dedication during the year.

The Board conveys its appreciation for its customers, shareholders, suppliers as well as vendors, bankers, business associates, regulatory and government authorities for their continued support.

By Order of the Board
Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Mumbai
Date : May 18, 2023

Management Discussion and Analysis

A. ECONOMIC SCENARIO

Global economy:

Tentative signs in early 2023 that the world economy could achieve a soft landing – with inflation coming down and growth steady – have receded amid stubbornly high inflation and recent financial sector turmoil. Although inflation has declined as central banks have raised interest rates and food and energy prices have come down, underlying price pressures are proving sticky, with labor markets tight in a number of economies. Policymakers have taken forceful actions to stabilize the banking system.

The major forces that shaped the world economy in 2022 seem set to continue into this year, but with changed intensities. Debt levels remain high, limiting the ability of fiscal policy makers to respond to new challenges. Commodity prices that rose sharply following Russia's invasion of Ukraine have moderated, but the war continues, and geopolitical tensions are high. Despite the fillips from lower food and energy prices and improved supply-chain functioning, risks are firmly to the downside with the increased uncertainty from the recent financial sector turmoil.

On the surface, the global economy may appear to be poised for a gradual recovery from the powerful back-to-back blows of the pandemic and the conflict. And the synchronous tightening of monetary policy by most central banks should help see inflation move backwards too. Global growth is expected to bottom out at 2.8 percent in 2023 before rising modestly to 3.0 percent in 2024. Global headline inflation is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices, but underlying (core) inflation is likely to decline more slowly. Below the surface, supply-chain disruptions are unwinding, as disruptions to energy and food markets are receding, however, Inflation remains much stickier than anticipated.

Measures to address structural factors impeding supply could ameliorate medium-term growth. Steps to strengthen multilateral cooperation are essential to make progress in creating a more resilient world economy, including by bolstering the global financial safety net, mitigating the costs of climate change, and reducing the adverse effects of geoeconomic fragmentation.

(Source: IMF Global Economic Outlook, Apr.'23)

Indian economy:

The Indian economy is staging a broad-based recovery across sectors, positioning to ascend to the pre-pandemic growth path in financial year 23. Continuing the recovery from the triple blow of pandemic-induced contraction & Russian-Ukraine conflict and inflation, India's GDP growth is expected to remain robust in financial year 24. GDP forecast for financial year 24 to be in the range of 6 to 6.8%, while the latest IMF's World Economic Outlook forecasts India's growth at 5.9 percent in 2022-23 and at 6.3 percent in 2023-2024. The Indian economy is well placed to grow faster in the coming decade once the global shocks of the pandemic and the spike in commodity prices fade away.

The rebound in consumption has been supported by the release of pent-up demand, a phenomenon not again unique to India but nonetheless exhibiting a local phenomenon influenced by a rise in the share of consumption in disposable income. Since the share of consumption in disposable income is high in India, a pandemic-induced suppression of consumption built up that much greater recoil force. Hence, the consumption rebound may have lasting power. Accelerating growth in personal loans in India testifies to an enduring release of pent-up demand for consumption. RBI's most recent survey of consumer confidence released in December 2022 pointed to improving sentiment with respect to current and prospective employment and income conditions. PMI manufacturing has remained in the expansion zone for 18 months since July 2021, and the Index of Industrial Production (IIP) grows at a healthy pace.

Enhanced Employment generation seen in the declining urban unemployment rate and in the faster net registration in Employee Provident Fund. Economic growth to be further boosted by the expansion of public digital platforms and measures to boost manufacturing output. The Government's Capex-led growth strategy will enable India to keep the growth-interest rate differential positive.

While India's retail inflation rate peaked at 7.8% in April 2022, above the RBI's upper tolerance limit of 6.0%, the overshoot of inflation above the upper end of the target range in India was however one of the lowest in the world. The government adopted a multi-pronged approach to tame the increase in price levels - Phase-wise reduction in the export duty of petrol and diesel, Reduction in basic duty on crude and other oils and waiving of custom duty in cotton import helped along with RBI's anchoring of inflationary expectations through forward guidance and responsive monetary policy has helped guide the trajectory of inflation in the country. Retail inflation was back within RBI's target range in November 2022. The Capital Expenditure of the Central Government and crowding in the private Capex led by strengthening the balance sheets of the Corporates is one of the growth drivers of the Indian economy in the current year.

(Source : https://www.ibef.org/economy/economic-survey-2022-23)

Management Discussion and Analysis (Continued)

B. INDUSTRY OVERVIEW

India is one of the fastest growing liquor markets in the world. Alcoholic beverages are considered a sunrise industry owing to its high-growth potential and increasing social acceptance.

Growth in urban population coupled with the increasing disposable income is projected to propel the market growth of alcohol. Moreover, the advent of variety in the flavor of alcohol coupled with the expanding product portfolio by the manufacturers has further projected to boost the growth of alcohol market.

Change in demographics as well as the change in lifestyle is another major factor expected to foster the market of alcohol. The legal drinking age in India varies from state to state (from 18 years to 25 years), further indicate that India is ideal for the high growth of the alcohol market.

The consumer landscape in India has traditionally been described as a classic "pyramid", with a large number of households with low incomes forming the base, and a small number of households with large incomes the pinnacle. With growth being fueled by both the economic development and the demographic dividend, India has seen this classic pyramid morph into a diamond shape with the emergence of a rapidly growing "middle class" and the consumer landscape segmenting into three distinct groups – Affluent, Middle and Aspiring - each with distinct consumption drivers and needs.

Consumers, especially the younger cohorts are becoming more experimentative and this has led to a surge in offerings within spirits. Artisanal values and local pride are also driving the TBA category growth in India, especially among the affluent cohorts. Indian Single Malts over the last few years have become almost as big as the Scotch Single malts which have been in India for a couple of decades now.

USL has an excellent platform in place to address this opportunity through its complete end-to-end brand portfolio across all price points. International and local competitors focus only on specific segments. USL portfolio has a number of large brands, which have been under-invested in the years prior to acquisition by Diageo.

The above brands together with Diageo brands leverage, USL's leadership position in sales & distribution (largest share of business in retail), its manufacturing network (~40 plants across most states in India) and its proven capability in operating in a highly complex and regulated market acts as a clear differentiator.

Overall, the outlook for the Indian alcoholic beverages continues to remain positive led by favorable demographics, expanding middle class, rising disposable income levels, greater preference for premium food and drink experiences and greater acceptance of alcoholic beverages in social circles.

Although the average per adult intake of alcohol is still considerably low in India when compared to other countries such as the United States, drinkers among young Indians are more prevalent. This provides tremendous opportunity to drive growth of Alcobev industry on the back of its rising working-age population. It is expected that per capita consumption will increase with changes in lifestyle and aspiration of the population.

C. INDIAN SPIRITS MARKET OVERVIEW

India continues to be an attractive market with stable macroeconomics, strong demographics (young population, urbanization, growing middle class) and an attractive TBA marketplace, benefitting from being one of the largest whisky market by volume, is amongst the lowest per capita TBA consumption countries in the world which presents significant headroom for growth. Moreover growing & rapidly premiumising TBA industry as well as new post-Covid consumer trends and emerging consumer cohorts are expected to further drive premiumization in the category. These present an opportunity to accelerate top-line growth and drive share gains in attractive profit pools while continuing to improve our margin.

Market segmentation: The Indian Alcobev industry is segmented into IMFL (Indian Made Foreign Liquor), IMIL (Indian Made Indian Liquor), Wine, Beer and imported alcohol. Whiskey dominates the Indian spirits industry by a very wide margin.

Consumption pattern: The states of Karnataka, Maharashtra, West Bengal, Odisha, Telangana, Delhi, Haryana, Punjab etc. are amongst the largest consuming states for Alcobev in India. The most popular channel of Alcobev sale in India is liquor stores as its consumption is primarily an outdoor activity and supermarkets and malls are present only in the tier I and tier II cities of India.

Constantly changing regulatory environment: Frequent and ad-hoc changes in the route to market makes it challenging to conduct business in the Beverage Alcohol Industry. Moreover, controlled pricing proves to be a significant headwind in an

Management Discussion and Analysis (Continued)

inflationary environment. In 2022, there has been a change in route to market in Delhi, which is a significant set-back for the industry. There were also other insignificant RTM changes during the year in the state of Jharkhand and Madhya Pradesh.

Growth drivers: Indian Alcobev industry holds great potential for spirits companies given the current low per capita consumption and aspirations of growing younger population. Shifting preferences towards the quality alcohol which also includes liquor with low alcohol. The rising trend of accepting alcohol drinking and increasing the number of pubs and bar is expected to foster the market growth. Moreover, a growing number of women drinking alcohol and favorable demographics is further expected to drive the market growth of alcohol.

The revival in GDP will give a further fillip to Alcobev sales as IMFL volumes are seen to grow ahead of GDP when GDP growth picks up. The organized players stand to benefit from steady growth in the conversion from country liquor to IMFL given increasing health concerns associated with consumption of country liquor.

Growing prevalence of premium Alcobev: Rapid urbanization is expected to enhance disposable income, which is favorable for the growth of the industry. With more Indians travelling abroad, rising aspirations, favorable environment for imported liquor and higher disposable income, consumers are upgrading towards premium segments in the country. The rise in premiumization is evident in the increased focus of the big players on semi-premium and premium categories with an increase in launches and increased marketing of these categories. Another trend which is gaining traction in the Alcobev space is the growing popularity of grain-based liquor as against traditionally popular molasses-based liquor.

D. REGULATORY SCENARIO IN INDIAN MARKET

Regulatory oversight of both central and state governments encompasses a slew of restrictions on production, movement, and sale of Alcobev products. Alcobev also falls under the purview of Food Safety and Standards Authority of India (FSSAI). In addition, direct advertising of Alcobev products is not permitted in India. Prohibitively high inter-state duties compel national Alcobev players to set-up owned or contract manufacturing setups in every state. Licenses are required to produce, bottle, store, distribute or retail all Alcobev products. Distribution is also highly controlled, both at the wholesale and retail levels. In states with government control on pricing, price increase is based on government notifications. In states where retailing is controlled by the state government, there is a specified quota that each player can sell, capping potential to increase market share for our products. These regulations make operations restrictive for the industry players.

Pricing continues to remain a challenge for the category since with continuous increase in excise duties, end consumer prices continue to experience upsurge with no benefit to your Company. However fiscal year 2023 was overall one of the best years for the Company in terms of securing pricing in several states across India but not enough to mitigate impact of inflation.

E. BUSINESS ANALYSIS COMPANY OVERVIEW

United Spirits Limited (USL/Your Company) is the largest alco beverage company in India and is also among the largest consumer goods companies. Your Company is involved in the manufacture, sale, and distribution of beverage alcohol. It has a comprehensive brand portfolio with over about 63 brands of Scotch whisky, IMFL whisky, brandy, rum, vodka, and gin. 8 of these brands sell more than a million cases annually. Your Company has brands spanning across price points operating in all segments of Popular, Prestige, Premium and Luxury.

Your Company produces and sells around 72 million cases. McDowell's No.1, Royal Challenge, Royal Challenge American Pride, Signature, Antiquity, Black Dog, Director's Special Black, McDowell's Rum & McDowell's Brandy are some of the marquee brands owned by your Company. In addition, your Company also imports, manufactures, distributes, and sells various iconic Diageo brands such as Haig Gold Label, Captain Morgan, Johnnie Walker, J&B, Baileys, Lagavulin, Talisker, VAT 69, Black & White, Smirnoff and Ciroc in India under different licensing agreements.

Your company has a strong distribution network, and its route to customer is superior in the industry with almost 70% of sales comprise from P&A portfolio out of the total branded spirits sales.

Diageo plc holds 55.88% shareholding in your Company. Our new Mission is to be Top Performing CPG Company in India delivering sustained double-digit, profitable top line growth and long-term value creation to all our Stakeholders. For this, Company has been working on following three pillars:

1. Portfolio re-shape

a. Breakout growth on P&A: Accelerate in Luxury & premium segment, strengthen play in Upper Prestige, Reshape value proposition in Lower & Mid Prestige

Management Discussion and Analysis (Continued)

   b. New growth engines and

   c. Value chain efficiency extraction.

2. **Be an Organization of the Future**
   a. Digital Acceleration

   b. Talent & culture as growth drivers

   c. Speed & Simplicity

3. **Diageo in Society**
   a. Driving ESG from grain to glass

   b. Moving India towards 'Drink Better, not More'

   c. Leading in Inclusion & Diversity

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

Strengths

Your Company has 8 brands in its portfolio which sell more than a million cases every year, of which 1 brand sells more than 25 million cases each annually. The Company's exports business is also growing.

Your Company has pan-India manufacturing presence with approximately 40 facilities and robust distribution network of more than 70,000 outlets, which provide access to vendors, suppliers, and distributors.

With high brand equity and significant market share, your Company is able to have a significant influence on industry issues through representations made on behalf of the industry.

Your Company has a wide range of portfolio spanning across categories of Scotch whisky, IMFL whisky, brandy, rum, vodka, and gin, and in various price points from Luxury, Premium, Prestige to Popular.

Your Company's rich heritage ensures long-lasting relationships with most of the raw material suppliers, which enables it to ensure uninterrupted procurement at competitive rates. This, in turn, helps the Company to ensure continuous production and supply of its products through the length and breadth of the country.

The in-house Technical Centre and its tie-up with the global giant Diageo PLC enables your Company to undertake research on new products, analytics and sensory sciences, process R&D, special spirits, and flavor management. Your Company's professional team of expert scientists work constantly with perseverance to renovate the portfolio. The strong marketing team creates impactful communication to convey the renewed brand salience.

Your Company's workforce of about 2,957 regular employees are the key strength in achieving the goals laid down by the Company. Our team has enabled us to emerge as the leading player in the industry, despite facing various industry headwinds. Our overall gender representation is 15%, however gender representation in the executive population stands at 26%. Industrial relations during the year were cordial.

F. BUSINESS PERFORMANCE

Our Mission is to be a Top performing CPG company in India delivering sustained double-digit, profitable topline growth & long-term value to all our Stakeholders. We are happy with the progress we made against each of the three pillars to our Mission of delivering sustained double digit profitable topline growth.

1. Portfolio reshape

We saw certain transformational consumer energies that defined the choices we made for our business & portfolio. Our new product offerings during the year was aligned with strong consumer trends and our recent innovation and renovations are impactful, inclusive, and sustainable. We optimized our spends across our marketing channel, with particular focus on increasing the percentage of spend to upper- and mid-funnel channels and launching creative new marketing campaigns.

Godawan, India's first artisan single malt with sustainability credentials has already been launched in focus states in India and also in the UAE. We have also showcased Godawan along with Epitome Reserve at the Cannes Film Festival in partnership with NFDC. The response from consumers has been heartwarming.

We also launched a limited-Edition Pack on Black Dog in select markets which was created in partnership with Keira Knightley.

We launched Johnnie Walker Blonde, the smooth, bright and light Scotch variant from the house of JW, with its flavour notes of sweet vanilla and apple, drizzled with caramel, and the smell of bright berries and toffee, and brought a ray of sunshine to December.

Management Discussion and Analysis (Continued)

Johnnie Walker Blonde is a more accessible style of Scotch that's focused on introducing drinkers to the amazing flavours of Scotch Whisky. Blonde is price positioned in between Red & Black and will play the strategic role of recruiting the Next Gen non-Scotch consumers in the casual get together occasion stealing from International Whiskies & Premium Beer.

We also launched Walkers & Co-a platform with the aim to celebrate & enable a community of "bold boundary pushers" in India resonating with the JW philosophy of celebrating the spirit of progress everywhere. It is inspired by the iconic rallying cry of 'Keep Walking' by Johnnie Walker. Globally and even in India, it has inspired creators and collaborators to take bold strides towards collective progress.

This year Walkers & Co has brought together John Legend, the second youngest and the first black man to win EGOT (Emmy, Grammy, Oscars, and Tony) awards, along with the path breaking, renowned Indian female rapper, Raja Kumari, to co-create an inspiring anthem titled 'Keep Walking'. The anthem embodies the spirit of the creator community bold enough to take leaps and strides with the sheer belief in their purpose.

In the Upper prestige segment, our new American Bourbon based IMFL whiskey Royal Challenge American Pride is performing well in most of the launch markets and rolled out pan India progressively. The key focus is to continue to scale up distribution and participate in consumer occasions in priority markets.

The Signature renovation mix included an all-new blend driving the unique proposition Crafted from Nature; given the 100% natural liquid of Islay, Highland, and Indian whisky, put together by master blender Caroline Martin, New Packaging leveraging recycled materials. Also, the use of recycled glass and paper/ cartons for the packaging now has 100% coverage across the country and has landed very well with consumers, reflecting the growing appreciation for brands building sustainability into their actions. In addition, signature premiere variant is doing well in our priority markets.

We launched and rolled-out the new Royal Challenge -renovated with an accessible liquid with huge appeal to LDA-35. Royal Challenge Whiskey is witnessing strong positive momentum nationally. We launched a renovated Royal Challenge with an all new liquid profile, packaging and brand world & retail identity that has been created for the Middle India LDA-35 consumer, exhorting them to "Choose Bold". The bundle is rolled out to ~70% of salient markets and building on its growth momentum.

Our flagship brand McDowell's No.1 is one of the most valuable spirits brand in India.

During the financial year ended March 31, 2023, your Company was able to drive productivity across all line items in the profit and loss account. There are initiatives to create more efficient trade spends under Net Revenue Management program, marketing efficiency and effectiveness for above-the-line spends as well as better overhead management in terms of creating a fit-for-purpose organization. On the cost front, a strong pipeline has been created on each line item in materials, manufacturing, and logistics to counter inflation with benefits to continue to accrue in the coming years. Your Company has also embarked on a multi-year Supply Agility Programme. The programme is expected to strengthen your company's end-to-end supply chain thereby making it fit for the future. This is in addition to everyday efficiency savings as we continue to build a more agile and sustainable business.

2. Be an organization of future

Digital transformation is a key initiative for us in India. On the consumer side of digital transformation, we have been scaling up three critical levers – digital marketing (Precision and Digital Factory set up to set up hygiene and best-in-class processes, capabilities, tools and partners to get Diageo to play catch up and get ahead on Digital Marketing), owned platforms led by in.thebar.com (Diageo owned digital-first branded platform that becomes the one-stop place for all things social celebration and all things alco-bev, through three components of content-community-commerce. And a central platform to enable our first party consumer data and analytics capability) and e-commerce/home delivery in West Bengal.

We also have precision factory, our powerful digital initiative that is focusing on media, data, analytics, and context helping us target consumers with the right context in the right occasion and improving the effectiveness and efficiency of our digital marketing spends. Both these are going to be continued to be scaled up as we progress in the year. We are continuously improving, investing in our

Management Discussion and Analysis (Continued)

tools, capability, and talent and as we improve we are creating a virtuous cycle that brings us closer to consumer towards more efficient and effective engagement and fuel growth.

We are building an organization of the future by making strategic and structural investments and aligning with the changing needs of consumers and the market. In the past year, we have focused on our talent strategy to build the leadership capabilities that ensure we perform ahead of our competitors and secure tomorrow's future growth. Our strong process for calibrating and validating talent at all levels has helped us develop and maintain robust succession plans for critical roles. We are also championing inclusion and diversity through a holistic approach that is helping us deliver game-changing work and culture that speaks to wider, more inclusive cohorts and consumer groups.

3. Diageo in Society

Your Company is committed to building a more sustainable, responsible, and inclusive business and society. 'Society 2030: Spirit of Progress' is our 10-year ESG action plan and our strategic priorities are to promote positive drinking, champion inclusion & diversity and pioneer grain-to-glass sustainability. Our priorities are focused on driving the impact we can have throughout our value chain across communities, suppliers, our partners, customers, and consumers.

We want to move India towards 'drinking better, not more' – an approach that is rooted in our social values and aligns with our business model as a producer of premium drinks. Your Company has been doing this through shaping drinking attitudes towards moderation, tackling harmful drinking through sustained multi-year programmatic interventions on Drink Driving & Underage Drinking and marketing our brands responsibly through self-regulation. Your Company champions health literacy and tackle harm through our DRINKiQ platform and Wrong Side Of The Road program.

Inclusion & Diversity is deeply embedded in our values. In India, we have been a pioneer in this space for our industry with regard to women representation in our business. We have extended our I&D agenda to people with disabilities and the LGBTQI community.

We want to drive progressive portrayal in every piece of creative work, particularly our key iconic brands like Johnnie Walker, Black & White, Black Dog all have women at the heart of their communication narrative, owning the stories we tell.

Our recent launches were sustainable by design including Godawan which aims to preserve ecology with a specific focus on water and biodiversity conservation. We have initiated phased removal of mono-cartons from our premium scotch brands: VAT69, Black Dog and Black & White and have initiated regenerative agriculture program with small-holder farmers in Punjab and Haryana. In addition, we are working with the Government, Panchayat and community to restore natural water resources.

Through community programs on Water, Sanitation and Learning for Life, we empower women in our local communities. 50% of the beneficiaries of our community programs were women.

This year, our distillery in Alwar, Rajasthan earned the prestigious Alliance for Water Stewardship (AWS) certification. It is the first spirit distillery in Asia to receive the coveted AWS certification.

Your Company has been included in the list of "2023-Top-Rated ESG Companies List" for its ESG performance in the year 2022 by Sustainalytics, a global independent ESG rating agency.

G. BUSINESS REVIEW – REVENUE AND REVENUE MIX

Your Company continued its journey of premiumization by improving the mix of P&A net sales salience to 81% in financial year 2022-23. Our portfolio is uniquely positioned to access the high growth opportunities that the Indian market provides. Your Company has been relentlessly striving to achieve double-digit top-line growth and has an aspiration to deliver mid-high teen operating margin. To achieve this, your Company is taking all possible efforts to strengthen and accelerate its core brands, upgrade its route to consumer strategy and leverage economies of scale. At the same time, your Company has remained committed to the highest standards of corporate citizenship. Its integration with Diageo brand portfolio has enabled your Company to establish leadership in terms of both volume and value.

Your Company has strengthened its entire portfolio through a mix of innovation, renovation, and rationalization. Prestige and above brands which represent about 81% of net sales are the core focus of your Company, wherein it has laid emphasis on renovation to keep pace with evolving consumer preferences.

Management Discussion and Analysis (Continued)

Your Company's robust performance in the Prestige and Above segment is reflective of its commitment and success of the premiumization strategy. At the same time, your Company has ensured that it optimizes value gains in the Popular segment as well.

During the year under review, your Company's sales volume was 72.5 million cases resulting in a drop of 8.4% compared to previous year. This is largely on account of the slump sale of the business undertaking associated with 32 brands and franchising of 11 Popular brands to an unrelated party. The transaction was a conclusion of the strategic review of the select popular segment brands and was approved by the Board on 27 May 2022.

Net sales/income from operations (net of duties and taxes) of your Company increased by 10.1% in the financial year ended March 31, 2023 which stood at ₹103,737 million (previous year ₹94,237 million). With continuous focus on premiumization, overall Prestige & Above segment represented 66% of total volumes (Vs 54% in the previous year) and 81% of total net sales (Vs 72% in the previous year) during the financial year ended March 31, 2023. The Prestige and Above segment's net sales were up 22.8% with strong double-digit growth across the higher value sub-segments. The Popular segment represented 34% (Vs 46% in the previous year) of total volumes and 18% (Vs 26% in the previous year) of total net sales during the financial year ended March 31, 2023.

The Popular segment's net sales declined by 25% during the financial year ended March 31, 2023. The decline this year was on account of the slump sale and franchising transaction mentioned above.

H. NET DEBTS

Your Company has a healthy balance sheet and is net cash surplus as on March 31, 2023. Net cash position of your company on a standalone basis stood at ₹11,043 million (including current investments) as at March 31, 2023. This strong position enables your company to undertake value-accretive business decisions swiftly."

Significant improvement in your Company's overall financial flexibility, corporate governance and compliance framework has led to further improvement in our credit rating. CRISIL has reaffirmed its 'AAA / Stable' rating on United Spirits Limited's long-term bank facilities. These ratings will enable the Company to access more economical sources of debt leading to lower interest cost and increased shareholder value.

I. OUTLOOK

Your Company remains the leader in India's Alcobev industry by virtue of strong portfolio and benefits from the guidance of Diageo plc, the Company's ultimate holding Company. Diageo continues to strengthen the Company with changes at management & distribution levels, revamp of brand promotions strategy, enhanced supply chain efficiency, focusing on lean portfolio, engaging with the government, and improving work culture and driving gender diversity. Your Company looks on track to deliver on its medium-term goal of delivering double-digit topline growth and achieve mid-high teens EBITDA margins led by better pricing and cost optimization. Regulatory overhangs will continue to pose challenges for the Alcobev industry. As seen in the past, your Company is well equipped to overcome such challenges.

J. RISKS & CONCERNS, OPPORTUNITIES & THREATS

Risks & Concerns

- The industry is exposed to multiple regulatory risks emanating from state taxes, adverse ruling from courts and changes in regulations with respect to pricing, licensing, working of operating facilities, manufacturing processes, marketing, advertising, and distribution.
- Further due to regulated nature of the industry, your Company is exposed to the restrictions by the state governments on production, movement and sale of spirits.
- On the macro-economic front, signs of slowdown of the global economy and challenges related to global supply chain being vulnerable to geo-political risk poses threat to raw material movement and associated cost & availability of the same. Any adverse war related scenario leads to rising commodity prices which also impacts India, which is a net importer of energy and rise in crude prices presents a risk to India's economy.
- Another concern emerges from the dependence on state governments to get price increases or changes. Margins may get severely impacted due to commodity cost inflation.
- Significant changes in route to market strategies by various state governments pose a concern on establishing distribution network with new intermediaries. This also poses credit risk in case the existing distributors default due to the closure of their respective businesses.

Management Discussion and Analysis (Continued)

- Prohibition in certain states poses a threat to legitimate sales and gives rise to inter-state smuggling impacting industry growth. This may also lead to a proliferation of country liquor sales in absence of / curtailed availability of branded products.
- The Company continues to work to promote responsible drinking and to mitigate risks due to drinking and driving through its 'Responsible Drinking' initiatives as highlighted in the CSR Report appearing in Annexure 6 of the Directors' Report, showcasing the corporate social responsibility initiatives of the Company.

K. OPPORTUNITIES

- Your Company's strong focus on premiumization coupled with rising disposable income and evolving consumer lifestyles presents significant opportunity to grow sales and expand margins.
- The conclusion of strategic review of selected Popular brands is a strategic move to Reshape your Company's portfolio and will enable sharpened focus of management time on Prestige and Above and delivering our mission of double digit profitable topline growth.
- Renovation and revamping of key brands to upgrade them presents opportunities to expand margins.
- Strong focus on accomplishment of restated mission and adherence to Diageo policies is likely to aid your Company's sales and margins.
- Low per capita consumption, rapid urbanization, favorable macroeconomic indicators, higher disposable incomes and evolving lifestyles bode well for the industry as a whole.

L. THREATS

- Strict imposition of distribution strategies by states restricts growth prospects of the industry.
- High competitive intensity in the segment due to lucrative growth prospects of the industry.
- Consumption degrowth due to inflationary pressures and other macroeconomic factors.
- Global supply constraints.
- High pricing control by states pose a threat to margin.
- Proliferation of spurious liquor consumption poses a threat to growth of the Popular segment brands.

M. INTERNAL CONTROL SYSTEMS

The Company maintains an adequate system of internal controls commensurate with the nature, size, and complexity of the business operations. The company has ensured that stringent and comprehensive controls are put in place to ensure

- Effective and productive use of resources.
- Safeguarding of Company's assets and interests.
- Transactions are approved, registered, properly reported and
- Checks and balances guarantee reliability and consistency of accounting data.
- Regulatory compliance is ensured by adhering to various laws, regulations, and prevailing statutes. An extensive program of internal, external audits along with periodic reviews by the management is carried out to ensure adherence to the best practices and oversight monitoring by the Board establishes a strong control environment. The management has evaluated that the internal controls over financial reporting are operating effectively by adopting the required procedures.
- The control framework prevailing in the Company was regularly reviewed and controls were monitored to ensure that corrective measures were taken on time for minimum failures.

N. KEY FINANCIAL AND OTHER RATIOS

Key financial ratios arising from the financials as given below for the financial year ended March 31, 2023, and March 31, 2022.

Management Discussion and Analysis (Continued)

(Fig in ₹ million)

	Particulars	31-Mar-23	31-Mar-22
(i)	**Key Financial Numbers (Standalone financial statements)**		
	Share Capital	1,455	1,453
	Share Suspense	-	2
	Reserves & Surplus	57,990	47,468
	Total Equity (Net worth)	**59,445**	**48,923**
	Gross Debt (excludes accrued interest and lease liability)	11	3,417
	PAT	10,517	8,509
	Share Price (₹)	756	888
	Other Income	742	337
	Revenue from operations	275,775	307,731
	Total Expenses	265,333	296,393
	Less: Depreciation	(2,706)	(2,886)
	Less: Finance Cost	(1,039)	(880)
	Total Expenses (excluding Depreciation and Finance cost)	261,588	292,627
	EBITDA	**14,187**	**15,104**
	EBIT	**12,223**	**12,555**
	Inventory	22,300	21,643
	Trade Receivables	23,828	23,021
	Trade Payables	17,383	15,279
(ii)	**Debtors Turnover Ratio**		
	Average Receivables	23,425	22,311
	Revenue from Operations	275,775	307,731
	Receivable Turnover	**11.8**	**13.8**
	Receivable Turnover (in days)	**31**	**26**
(iii)	**Payable Turnover Ratio**		
	Average Payables	16,331	14,546
	Cost of goods sold, advertisement and sales promotion, other expenses	83,599	72,766
	Payable Turnover	**5.1**	**5.0**
	Payable Turnover (in days)	**71**	**73**
(iv)	**Inventory Turnover Ratio**		
	Average Inventory	21,972	20,727
	Purchases (COGS & Excise Duty)	232,756	266,333
	Inventory Turnover	**10.6**	**12.8**
	Inventory Turnover (in days)	**34**	**28**

(Fig in ₹ million)

	Particulars	31-Mar-23	31-Mar-22
(v)	**Interest Coverage Ratio #**		
	Interest	1,039	880
	EBITDA	14,187	15,104
	Interest Cover	**13.7**	**17.2**
	Interest	1,039	880
	EBIT	12,223	12,555
	Interest Cover	**11.8**	**14.3**
(vi)	**Return on Capital Employed Ratio**		
	EBIT	12,223	12,555
	Capital Employed	61,278	54,977
	Return on Capital Employed	**19.9%**	**22.8%**
(vii)	**Net Profit Margin Ratio**		
	PAT	10,517	8,509
	Net Sales (net of excise)	103,737	94,237
	Net profit Margin	**10.1%**	**9.0%**
(viii)	**Operating Margin Ratio**		
	EBIT	12,223	12,555
	Net Sales (net of excise)	103,737	94,237
	Operating Margin	**11.8%**	**13.3%**

SUMMARY OF KEY RATIOS

LEVERAGE RATIOS

Particulars	F23	F22
Debt-Equity Ratio	0.02	0.12
Interest Cover	13.7	17.2

VALUATION RATIOS

EPS	14.46	11.70
P/E Ratio	52.3x	75.9x

PROFITABILITY RATIOS

Return on Equity	19.4%	19.1%
Return on Capital Employed	19.9%	22.8%

LIQUIDITY RATIOS

Inventory Turnover Ratio (in days)	34	28
Receivable Turnover Ratio (in days)	31	26
Payable Turnover Ratio (in days)	71	73

-Debt Equity and Interest coverage ratio has shown improvement during the financial year 2022-23 due to repayment of all the outstanding loans.

Annexure-1

Details of Subsidiaries, Associates and Joint Ventures

Form AOC-1

(Pursuant to the provisions of section 129(3) of the Companies Act, 2013 read with Rule 5 of Companies (Accounts) Rules, 2014 Statement containing as on March 31, 2023 salient features of the financial statement of subsidiaries/associate companies/joint ventures)

Part A: Subsidiaries

Sl. No.	Name of the Subsidiary	Currency	Closing exchang rate	Average exch rate	Share capital	Reserves	Total assets	Total liabilities	Investments	Turnover	Profit/ (loss) before taxation	Provision for taxation	Profit/ (loss) after taxation	Total comprehensive income	Proposed dividend	% of share holding	Country
1	Asian Opportunities & Investments Limited (AOIL)	USD	82.08	81.09	410	-1,300	14	-904	-	-	9	-	9	9	-	100	Mauritius
2	Palmer Investment Group Limited (PIG)	USD	82.08	81.09	1,231	-1,195	38	-2	-	-	-3	-	-3	-3	-	100	British Virgin Islands
3	Shaw Wallace Overseas Limited (SWOL)	GBP	101.78	96.50	36	-19	19	-1	-	-	-1	-0	-1	-1	-	100	U.K.
4	USL Holdings Limited (UHL)	USD	82.08	81.09	62,926	-69,806	37	-6,917	-	-	-1	-	-1	-1	-	100	British Virgin Islands
5	USL Holdings (UK) Limited (UHUKL)	GBP	101.78	96.50	0	-69,925	5	-69,930	0	-	-3,541	-	-3,541	-3,541	-	100	U.K.
6	United Spirits (UK) Limited (USUKL)	GBP	101.78	96.50	0	-26,778	4	-26,782	0	-	-2	-	-2	-2	-	100	U.K.
7	United Spirits (Great Britain) Limited (USGBL)	GBP	101.78	96.50	0	-26,748	5	-26,753	-	-	-1	-	-1	-1	-	100	U.K.
8	McDowell & Co. (Scotland) Limited (MSL)	GBP	101.78	96.50	160	-29	138	-6	-	-	-2	-	-2	-2	-	100	Scotland
9	Royal Challengers Sports Private Limited	₹	-	-	0	2,036	4,356	-2,320	-	2,442	-151	-35	-116	-116		100	India
10	United Spirits (Shanghai) Trading Company Limited	RMB								Liquidated							China
11	Sovereign Distilleries Limited	₹								Disposed off							India
12	Pioneer Distilleries Limited	₹								Merged							India
13	United Spirits Singapore Trading Pte Ltd. (Formerly known as Whyte and Mackay Singapore Pte Ltd.)	USD								Liquidated							Singapore

Notes:

1. Closing exchange rate is applied for share capital, reserves and surplus, total assets, total liabilities and investments. Average exchange rate is applied for turnover, profit / (loss) before taxation, profit / (loss) after taxation, and proposed dividend. All amounts are in ₹ million.
2. All the subsidiaries have 31 March 2023 as their financial year end.
3. Names of subsidiaries which are yet to commence operations: Nil.

Annexure-1 (Continued)

Part B: Associates and Joint Ventures

During the year, the Company made an investment of ₹315 million in Nao Spirits & Beverages Private Limited ("NAO"). The Company has acquired 8,094 Compulsory Convertible Preference Shares and 4,670 equity shares of NAO aggregating to 22.5% of shareholding. Subsequent to this investment, NAO is associate company of the Company. Further, on January 24, 2023, Board of Directors have approved further investment of ₹150 million. This investment will be made upon satisfaction of condition precedents.

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director & Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Executive Director & Chief Financial Officer
DIN : 02110401
Place: Bengaluru

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Annexure-2

Related Party Transactions
FORM AOC-2

(Pursuant to section 134(3)(h) of the Companies Act, 2013 and rule 8(2) of the Companies (Accounts) Rules, 2014)

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

a) Details of Contracts or transactions not at arm's length basis: There are no contracts or arrangements or transactions that were not at arm's length basis for the year ended March 31, 2023.

b) Details of Material Contracts or transactions at arm's length basis: There are no material contracts or arrangements or transactions at arm's length basis and in the ordinary course of business for the year ended March 31, 2023.

By Order of the Board
Mahendra Kumar Sharma
Chairman
DIN : 00327684

Place : Mumbai
Date : May 18, 2023

Annexure-3

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2023

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

To
The Members,
United Spirits Limited
Bangalore

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

Based on my verification of the Company's books, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2023, complied with the statutory provisions listed hereunder and also that the company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by United Spirits Limited ("the Company") for the financial year ended on March 31, 2023, according to the provisions of:

i. The Companies Act, 2013, (the Act) and the rules made thereunder;

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii. The Depositories Act, 1996 and the Regulations and Bye-Laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act');

   (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

   (b) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (c) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   (d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (No instances for compliance requirements during the year);

   (e) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; (No instances for compliance requirements during the year);

   (f) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (No instances for compliance requirements during the year);

   (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

Annexure-3 (Continued)

(h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021, (No instances for compliance requirements during the year);

(i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (No instances for compliance requirements during the year); and

(j) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018

vi. Laws specifically applicable to the Company as identified by the Company:

(a) Various State Excise Laws relating to alcohol and related industry;

(b) Food Safety and Standards Act, 2006 and Rules and Regulations made thereunder;

vii. All other Labour, Employee and Industrial or factory and environmental Laws to the extent of necessary permissions, licenses, compliance and control mechanisms as applicable to the Company;

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

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc as mentioned above wherever applicable *except for Regulation 21(3C) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the gap between two consecutive meetings of the Risk Management Committee was exceeded with a delay of 8 days.*

I further report that

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

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

All decisions are carried through majority and recorded in the minutes and there were no dissenting views.

I further report that there are adequate systems and processes in the Company commensurate with size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. However, the Company needs to strengthen the process with regard to obtaining the prior approval of Audit Committee in all cases of related party transactions, whether it relates to renewal or modification of limits although such related party transactions have been subsequently ratified by the Audit Committee.

I further report that during the audit period the following events / actions took place having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above:

1. The National Company Law Tribunal vide its Order dated November 4, 2022 approved the Scheme of Amalgamation and Arrangement ("Scheme") between the Company and Pioneer Distilleries Limited ("PDL"). A certified copy of the Order was filed with the Registrar of Companies on December 30, 2022 and thus giving effect to the merger of PDL with the Company with effect from December 30, 2022 with the appointed date being April 1,2021. Pursuant to this, 712,138 equity shares of ₹2/-each were allotted to non-promoter shareholders of PDL on January 13, 2023.

Annexure-3 (Continued)

2. At the 23rd Annual General meeting held on August 9, 2022 the shareholders of the Company approved the below transactions under Section 180(1)(a) of the Companies Act, 2013 by passing a special resolution:

   (i) slump sale of the entire business undertaking associated with 32 brands of the Company in the 'Popular' segment to Inbrew Beverages Private Limited ("Inbrew"); and

   (ii) grant of franchise in relation to 11 other brands of the Company in the 'Popular' segment to Inbrew for a period of five years, with an option for Inbrew, subject to certain specified conditions, (a) to convert the fixed term franchise arrangement into a franchise arrangement with perpetual right to use, and / or (b) to acquire such brands.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040 CP No.: 6137
Peer Review Certificate No. 607/2019
UDIN:F006040E000332762

Place: Bengaluru
Date: 18th May 2023

Annexure-3 (Continued)

Annexure to Secretarial Audit Report (Auditors Responsibility)

To,
United Spirits Limited
Bangalore

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040 CP No.: 6137
Peer Review Certificate No. 607/2019
UDIN:F006040E000332762

Place: Bengaluru
Date: 18th May 2023

Annexure-3A

ANNEXURE- 3A

SECRETARIAL COMPLIANCE REPORT OF UNITED SPIRITS LIMITED FOR THE YEAR ENDED MARCH 31, 2023.

I, Sudhir V Hulyalkar, Company Secretary in practice have examined:

(a) all the documents and records made available to us and explanation provided by United Spirits Limited ("the listed entity"),

(b) the filings/ submissions made by the listed entity to the stock exchanges,

(c) website of the listed entity,

(d) Relevant Forms and attachments as filed with the Registrar of Companies and other authorities of Ministry of Corporate Affairs for the year ended March 31, 2023 ("Review Period") in respect of compliance with the provisions of:

   (a) The Securities and Exchange Board of India Act, 1992 ("SEBI Act") and the Regulations, circulars, guidelines issued thereunder; and

   (b) The Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder and the Regulations, circulars, guidelines issued thereunder by the Securities and Exchange Board of India ("SEBI");

The specific Regulations, whose provisions and the circulars/ guidelines issued thereunder, have been examined, include: -

(a) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(b) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (No instances for compliance requirements during the year);

(c) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(d) Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (No instances for compliance requirements during the year);

(e) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

(f) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (No instances for compliance requirements during the year);

(g) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(h) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (No instances for compliance requirements during the year);

(i) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and circulars/ guidelines issued thereunder.

Annexure-3A (Continued)

I/We hereby report that, during the Review Period the compliance status of the Company is appended as below:

Sr. No.	Particulars	Compliance Status (Yes/ No/NA)	Observations/Remarks by PCS*
1.	Secretarial Standards: The compliances of the Listed entity are in accordance with the Secretarial Standards (SS) issued by the Institute of Company Secretaries of India (ICSI) as notified by the Central Government under section 118(10) of the Companies Act, 2013 and mandatorily applicable.	Yes	None
2.	Adoption and timely updation of the Policies: • All applicable policies under SEBI Regulations are adopted with the approval of board of directors of the Listed entity. • All the policies are in conformity with SEBI Regulations and have been reviewed & updated on time, as per the regulations /circulars/ guidelines issued by SEBI.	Yes	None
3.	Maintenance and disclosures on Website: • The Listed entity is maintaining a functional website. • Timely dissemination of the documents/ information under a separate section on the website. • Web-links provided in annual corporate governance reports under Regulation 27(2) are accurate and specific which redirects to the relevant document(s)/ section of the website.	Yes	None
4.	Disqualification of Director: None of the Director of the Listed entity are disqualified under Section 164 of Companies Act, 2013 as confirmed by the Listed entity	Yes	None
5.	Details related to Subsidiaries of listed entities have been examined w.r.t.: (a) Identification of material subsidiary companies (b) Disclosure requirement of material as well as other subsidiaries	 N.A. Yes	 The Listed entity does not have material subsidiaries.
6.	Preservation of Documents: The Listed entity is preserving and maintaining records as prescribed under SEBI Regulations and disposal of records as per Policy of Preservation of Documents and Archival policy prescribed under SEBI LODR Regulations, 2015.	Yes	None
7.	Performance Evaluation: The listed entity has conducted performance evaluation of the Board, Independent Directors and the Committees at the start of every financial year/during the financial year as prescribed in SEBI Regulations.	Yes	None
8.	Related Party Transactions: (a) The listed entity has obtained prior approval of Audit Committee for all Related party transactions; or (b) The listed entity has provided detailed reasons along with confirmation whether the transactions were subsequently approved/ ratified/rejected by the Audit Committee, in case no prior approval has been obtained.	 No Yes	 In certain cases, where prior approval was not obtained, the same has been ratified by the Audit Committee.
9.	Disclosure of events or information: The listed entity has provided all the required disclosure(s) under Regulation 30 along with Schedule III of SEBI LODR Regulations, 2015 within the time limits prescribed thereunder.	Yes	None

Annexure-3A (Continued)

Sr. No.	Particulars	Compliance Status (Yes/ No/NA)	Observations/Remarks by PCS*
10.	Prohibition of Insider Trading: The listed entity is in compliance with Regulation 3(5) & 3(6) SEBI (Prohibition of Insider Trading) Regulations, 2015.	Yes	None
11.	Actions taken by SEBI or Stock Exchange(s), if any: No Actions taken against the listed entity/ its promoters/ directors/ subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under SEBI Regulations and circulars/guidelines issued thereunder except as provided under separate paragraph herein (**).	No	None
12.	Additional Non-compliances, if any: No any additional non-compliance observed for all SEBI regulation/ circular/guidance note etc.	No Non compliance with respect to Regulation 21(3C) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015	The gap between two consecutive meetings of the Risk Management Committee was exceeded with a delay of 8 days.

Compliances related to resignation of statutory auditors from listed entities and their material subsidiaries as per SEBI Circular CIR/CFD/CMD1/114/2019 dated 18th October, 2019:

Sr. No.	Particulars	Compliance Status (Yes/ No/NA)	Observations/Remarks by PCS*
1.	Compliances with the following conditions while appointing/re-appointing an auditor		
	i. If the auditor has resigned within 45 days from the end of a quarter of a financial year, the auditor before such resignation, has issued the limited review/ audit report for such quarter; or ii. If the auditor has resigned after 45 days from the end of a quarter of a financial year, the auditor before such resignation, has issued the limited review/ audit report for such quarter as well as the next quarter; or iii. If the auditor has signed the limited review/ audit report for the first three quarters of a financial year, the auditor before such resignation, has issued the limited review/ audit report for the last quarter of such financial year as well as the audit report for such financial year.	NA	No resignation of Statutory Auditor during the Review period
2.	Other conditions relating to resignation of statutory auditor		
	i. Reporting of concerns by Auditor with respect to the listed entity/its material subsidiary to the Audit Committee: a. In case of any concern with the management of the listed entity/ material subsidiary such as non-availability of information / non-cooperation by the management which has hampered the audit process, the auditor has approached the Chairman of the Audit Committee of the listed entity and the Audit Committee shall receive such concern directly and immediately without specifically waiting for the quarterly Audit Committee meetings.	NA	No resignation of Statutory Auditor during the Review period

Annexure-3A (Continued)

Sr. No.	Particulars	Compliance Status (Yes/ No/NA)	Observations/Remarks by PCS*
	b. In case the auditor proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents has been brought to the notice of the Audit Committee. In cases where the proposed resignation is due to non-receipt of information / explanation from the company, the auditor has informed the Audit Committee the details of information / explanation sought and not provided by the management, as applicable. c. The Audit Committee / Board of Directors, as the case may be, deliberated on the matter on receipt of such information from the auditor relating to the proposal to resign as mentioned above and communicate its views to the management and the auditor. ii. Disclaimer in case of non-receipt of information: The auditor has provided an appropriate disclaimer in its audit report, which is in accordance with the Standards of Auditing as specified by ICAI / NFRA, in case where the listed entity/ its material subsidiary has not provided information as required by the auditor.	NA	No resignation of Statutory Auditor during the Review period
3	The listed entity / its material subsidiary has obtained information from the Auditor upon resignation, in the format as specified in Annexure- A in SEBI Circular CIR/ CFD/CMD1/114/2019 dated 18th October, 2019.	NA	No resignation of Statutory Auditor during the Review period

(a)** The Listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder, except in respect of matters specified below:

Sr. No.	Compliance Requirement (Regulations /Circulars / guidelines Including specific clause)	Regulation /Circular No.	Deviations	Action Taken by	Type of Action	Details of Violation	Fine Amount	Observations/ Remarks of the Practicing Listed entity Secretary	Management Response	Remarks
N.A.										

(b) The listed entity has taken the following actions to comply with the observations made in previous reports:

Sr. No.	Compliance Requirement (Regulations /Circulars / guidelines Including specific clause)	Regulation /Circular No.	Deviations	Action Taken by	Type of Action	Details of Violation	Fine Amount	Observations/ Remarks of the Practicing Listed entity Secretary	Management Response	Remarks
N.A.- No observations in the previous reports										

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040 CP No.: 6137
Peer Review Certificate No. 607/2019
UDIN:F006040E000332773

Place: Bengaluru
Date: 18th May 2023

Annexure-4

Employee Details

Details of Ratio of Remuneration of Directors and Key Managerial Personnel (KMP)

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

<table>
<tr><td>i)</td><td>The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;</td><td>Name of the Directors/ KMP</td><td>Designation</td><td>Ratio to the Median</td><td>Percentage Increase</td></tr>
<tr><td rowspan="8"></td><td rowspan="8">The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;</td><td>Hina Nagrajan</td><td>Managing Director & Chief Executive Officer</td><td>174</td><td>73%</td></tr>
<tr><td>Pradeep Jain</td><td>Executive Director & Chief Financial Officer*</td><td>52</td><td>3%</td></tr>
<tr><td>Mital Sanghvi</td><td>Vice-President - Company Secretary and Treasury</td><td>20</td><td>-2%</td></tr>
<tr><td>Mahendra Kumar Sharma</td><td>Independent Non-Executive Chairman</td><td>8:1</td><td>-4%**</td></tr>
<tr><td>V K Viswanathan</td><td>Independent Non-Executive Director</td><td>7:1</td><td>-7%**</td></tr>
<tr><td>D Sivanandhan</td><td>Independent Non-Executive Director</td><td>7:1</td><td>-11%**</td></tr>
<tr><td>Indu Shahani</td><td>Independent Non-Executive Director</td><td>7:1</td><td>-6%**</td></tr>
<tr><td>Rajeev Gupta</td><td>Independent Non-Executive Director</td><td>6:1</td><td>-18%**</td></tr>
<tr><td></td><td></td><td colspan="4">* Mr. Pradeep Jain was Chief Financial Officer upto 31st January 2023. W.e.f. 1st February 2023, he is appointed as Executive Director & Chief Financial Officer.

**For Non-executive Directors, change in percentage denotes change in remuneration (including commission and sitting fees) and for the period of their Directorship during the year.</td></tr>
<tr><td>(ii)</td><td>The percentage increase in the median remuneration of employees in the financial year;</td><td colspan="4">The average increase in median remuneration in the Financial Year 2022-23 compared to the median remuneration of employees in the previous year is 33.48%.</td></tr>
<tr><td>(iii)</td><td>The number of permanent employees on the rolls of Company;</td><td colspan="4">The Company had a permanent headcount of 2,957 on the rolls as of March 31, 2023.</td></tr>
<tr><td>(iv)</td><td>Average percentile increase already made in the salaries of employees other than the key managerial personnel in the last financial year and its comparison with the percentile increase in the key managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;</td><td colspan="4">The change in the average remuneration of employees other than the key managerial personnel in the current financial year compared to the last financial year was 6.91% while the change in the key managerial average remuneration was 43.25%. The increase in the average remuneration of key managerial personnel was attributed to annual salary increase, earnings from exercised long-term incentives (stock) and pay-out of performance-based pay.</td></tr>
</table>

Annexure-4 (Continued)

(v)	Affirmation that the remuneration is as per the remuneration policy of the Company.	The remuneration paid is as per the remuneration and reward policy of the Company.

By Order of the Board
Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place: Mumbai
Date : May 18, 2023

Information as required under Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Board's Report for the financial year ended March 31, 2023.

A. Employees employed for full year

Sr. No.	Employee Name	Age (as on 31 March 2023)	No. of Shares held	Remuneration paid (in ₹)	Designation & nature of duties	Qualification	Experience (in years)	Date of commencement of employment	Particulars of previous employment
1	Amitabh Pande	46	0	1,60,71,661	Vice President – Consumer Planning & Insights	B.A / PGDM	22	09-08-2021	Head, Marketing - IKEA India
2	Amrut Aiyamma	49	0	1,71,09,196	Vice President - Human Resources	MSW, Mangalore University	26	02-05-2019	Dover Corporation India
3	Anant Swarup	46	0	1,10,36,800	Senior General Manager - Sales	PGDBM, Marketing from IMT-Ghaziabad	18	11-07-2016	SALES AND DISTRIBUTION HEAD - TATA DOCOMO
4	Anshu Vazirani	40	0	1,44,92,312	Vice President - Corporate Real Estate Services	PGDM / M.Tech	15	12-06-2017	Director - GEP (Global eProcure)
5	Ashok Arora	45	50	1,08,79,740	Vice President – Supply Finance	Chartered Accountant	22	02-11-2004	Finance manager - Greenfield online PVT LTD
6	Deepika Warrier	53	0	3,34,02,193	Chief Marketing Officer India	PGDM	28	27-07-2020	CEO/MD - Pepsico-Tata JV (Nourishco Beverages)
7	Glen A L D Souza	52	0	1,27,14,106	Senior General Manager - HR Business Partner	LLB	24	02-04-2020	Senior Manager - HRBP - GE
8	Gowri Advani	43	0	1,11,55,072	Vice President & Senior Counsel	LLB, B.S.L	11	08-05-2017	Legal Consultant - Diageo India Pvt Ltd
9	Hina Nagarajan	58	0	11,90,43,225	Managing Director & Chief Executive Officer	Master's degree in Business Management - IIM	33	01-04-2021	MD Africa Emerging Markets (Diageo)
10	Jagbir Singh Sidhu	52	0	3,07,09,675	Corporate Relations Director	MBA, Punjab University, 1994	27	05-07-2017	Pernod Ricard
11	Jyoti Saraf Dey	43	0	1,18,36,562	Vice President - Senior Counsel Legal	LLB, BA	17	19-03-2018	National Head Legal - Bajaj Finance LTD
12	Kashinath Jha	54	0	1,75,97,483	Vice President - Manufacturing	BE 1991	30	06-09-2016	Reckitt Benckiser

Annexure-4 (Continued)

Sr. No.	Employee Name	Age (as on 31 March 2023)	No. of Shares held	Remuneration paid (in ₹)	Designation & nature of duties	Qualification	Experience (in years)	Date of commencement of employment	Particulars of previous employment
13	M N Prasanna Venkatesh	48	228	1,03,96,141	Senior General Manager - Health & Safety	MBA / B.E	10	30-09-2016	General Manager Operations - Nigeria Distilleries -
14	Manish Shetty	47	0	1,33,47,997	Vice President - IT	BE, MBA	22	01-06-2020	Director IT - TATA GLOBAL BEVERAGES LTD
15	Mital Sanghvi	44	0	1,39,42,989	Vice President - Company Secretary & Treasury	B.com, ACS, FCCA, ACA	21	09-12-2019	Provenance Land Private Limited
16	Monish Bhasin	48	0	1,19,40,961	Vice President – Sales	MBA / B.E	26	25-09-2006	Senior Brand Manager - Mahindra and Mahindra
17	Navin Jain	50	0	1,61,00,863	Tax Director - Asia & India	Chartered Accountant	22	27-12-2018	Head Taxation - Vedanta/ Cairn India LTD
18	Nimish Shah	48	0	2,24,72,022	Executive Vice President and Financial Controller	Chartered Accountant	25	09-09-2021	APAC Regional Controller - The Walt Disney Company
19	Pradeep Jain	54	0	3,51,61,342	Executive Director & Chief Financial Officer	B.Com, 1988,CA 1991	29	04-04-2017	CFO - Pidilite Industries
20	Prathmesh Mishra	53	0	4,67,86,102	Chief Commercial Officer	PGDM, BA	23	18-06-2014	Pernod Ricard
21	Rajesh Vijayan Menon	45	0	1,23,09,185	Head - RCB & Extension Business	B.com, PGDBA	18	11-09-2006	Product manager - Caticura Talcum powder
22	Rakesh Kumar	46	41	2,54,75,959	Executive Vice President and Chief Operating Officer – South and East	PGDBM, Marketing & Finance from Institute of Management Technology, Ghaziabad	15	12-10-2021	Senior director and general manager, South Asia -SC Johnson products PVT LTD
23	Ruchira Jaitly	50	0	1,66,57,031	Executive Vice President and Portfolio Head	PGDM, Marketing from Indian Institute of Management Ahmedabad	23	01-10-2021	CMO India - HMD Global Pvt Ltd
24	Sanjeev Ganesh	46	100	2,05,70,390	EVP- Procurement	B.Tech, MBA	16	01-04-2010	Managing Consultant - Aqua Management Consulting Group
25	Sanjeev Vijh	53	0	1,22,84,900	Vice President - Corporate Affairs	B.com	25	25-04-2019	Head, External Affairs - Pernod Ricard
26	Saurabh Kumar	43	0	1,32,99,136	Vice President - Sales	B.Tech	20	18-07-2019	COO (Chief operating officer) - Innovative foods Ltd -
27	Shweta Jain	47	0	1,86,30,147	Chief Business Development Officer - Luxury Reserve Craft & Strategic Accounts	MBA / B.com	18	11-12-2017	Head of Marketing Indian Subcontinent - William Grant & Sons

Annexure-4 (Continued)

Sr. No.	Employee Name	Age (as on 31 March 2023)	No. of Shares held	Remuneration paid (in ₹)	Designation & nature of duties	Qualification	Experience (in years)	Date of commencement of employment	Particulars of previous employment
28	Subroto Geed	48	0	3,20,78,354	EVP & Chief Operating Officer - Popular and Franchise Business	B.Pharm, PGDM	22	21-09-2015	GSK Consumer Healthcare
29	Sunil Dwivedi	50	0	1,28,79,804	Vice President - Manufacturing	B.E Chemical Engineering, IIT Bombay	20	10-01-2022	Head, Operations – Avan Strate Inc
30	Sunny Singh Kataria	39	0	1,19,29,892	Vice President – Sales Effectiveness	Master of Business Administration (MBA)	13	29-11-2021	Head of Commercial excellence - OLX Group
31	Uttara Srinivasan	41	0	1,13,26,702	Vice President - Supply Planning	MBA / B.E	12	03-05-2017	Industry principal, Lead Strategic Projects - Infosys BPO
32	Varun Singla	43	0	1,22,92,518	Vice President - Sales	B.com	18	26-07-2012	Zonal Manager - Akzo Noble India Ltd
33	Vikram Damodaran	47	0	2,25,24,735	Chief Innovation Officer	B.E., (Mech)	24	14-10-2019	Chief Product Officer - GE Healthcare
34	Vikram Jain	47	0	1,31,04,179	Assistant Vice President - Sales	MBA / B.com	25	19-01-2009	Senior Manager, Marketing - Pernod Ricard

B. Employed for the part of year:

Sr. No.	Employee Name	Age (as on 31 March 2023)	No. of Shares held	Remuneration paid (in ₹)	Designation & nature of duties	Qualification	Experience (in years)	Date of commencement employment	Particulars of previous employment
1	Abanti Sankaranarayanan	53	0	4,54,67,675	Chief Strategy & Corporate Affairs Officer	PGDBA	29	01-05-2015	Managing Director - India, Diageo India Pvt Ltd
2	Abhishek Shahabadi	45	0	1,78,49,914	Vice President and Portfolio Head, Marketing	B.Com., PGDM-C	22	23-02-2006	Group Head - Madison Communications
3	Arun Goyal	53	0	1,73,95,736	Assistant Vice President - Manufacturing	MS, B.E	30	21-02-2011	Head, Project and engineering - Sika IND
4	AshishParikh	46	0	2,03,80,646	Executive Vice President and Chief Operating Officer - North and West	MBA from SVKM's Narsee Monjee Institute of Management Studies (NMIMS)	22	12-07-2022	Global Omnichannel and Category Development Director - Reckitt Benckise
5	Avinash Deoskar	47	0	1,23,56,800	Vice President and Sales Head (East)	PGDM 1999, SIMS	22	18-08-2016	Region Head - Pernod Ricard
6	Chetan Gupta	44	0	25,74,605	Senior General Manager - Sales	MBA, M.Com	12	30-03-2015	Allied Belnders and Distillers

Annexure-4 (Continued)

Sr. No.	Employee Name	Age (as on 31 March 2023)	No. of Shares held	Remuneration paid (in ₹)	Designation & nature of duties	Qualification	Experience (in years)	Date of commencement employment	Particulars of previous employment
7	Debasis Chaudhuri	57	0	1,90,98,718	Senior General Manager - Finance Transformation	I.C.W.A	27	10-01-1997	Asst. Manager(MIS) - Wincome textile industries Ltd.
8	Gopal Kothari	45	0	99,44,523	Vice President - Supply Finance	CA,ICWAI	18	01-07-2015	Finance Controller - Diageo India Pvt Ltd
9	Gora Mukherjee	52	0	1,05,61,046	General Manager - Sales	B.com	32	20-03-2006	Assistant Manager - SAB Miller
10	Jitendra Mahajan	53	0	4,48,04,385	Chief Supply and Sustainability Officer	B.E. Mechanical / MBA	28	22-04-2022	COO (Chief operating officer) Supply Chain - Marico Limited
11	Jyoti Ghai	51		1,27,23,579	Senior General Manager - Procurement	B.com	27	01-03-1997	Manager Purchase - Shaw Wallace Distilleries Ltd
12	Kishore D Wable	49	0	73,23,789	General Manager - Brand Change Commercialization	B.E	25	13-08-2001	Executive Engineer - Praj Industries Ltd
13	Mamta Sundara	45	0	4,40,66,754	EVP and General Counsel	LLB	18	15-02-2015	Senior Counsel - India Projects, Diageo India Pvt Ltd
14	Manoj Chigal	41	0	89,29,001	Vice President & Head - Internal Audit	CA	20	18-01-2021	Director Audit & SOX-WHIRLPOOL CORPORATION
15	Meghna Agrawal	41	0	1,82,76,987	Vice President - Financial Controllership Operations	MBA, London business school	15	01-07-2015	Value Creation Manager - DIAGEO UK
16	Namrata Roy	42	0	44,58,822	Senior General Manager - Procurement	B.E, PGDM	13	30-03-2015	Manager - Deloitte Touche Tohmatsu (India) Pvt. Ltd
17	Prabhu Elakkuvan	43	0	50,89,492	Senior General Manager - Supply Planning	B.tech, PGDM	19	01-05-2021	Head of Deman Planning - Reckitt Benckiser India Pvt Ltd
18	Ramanathan C	48	0	50,65,611	Vice President - Controls, Compliance & Ethics	B.com	25	03-01-2008	Sales accounting Manager - Pepsico India
19	Richa Periwal	44	0	70,26,062	Senior General Manager - Investor Relations	Chartered Accountant	16	02-07-2018	Head, Finance - Allied Belnders and Distillers -
20	RY Chavan	56	0	43,51,918	Senior Manager - Supply Chain & Logistics	B.S.C	33	27-01-1997	Senior Statistical Officer - Themis Pharmaceuticals
21	Sanjeev Kumar Gupta	55	0	2,63,38,658	Executive Vice President - Manufacturing Operations	BE 1987, PGD NIIE, 1988	32	03-07-2017	Integrated Supply Chain Director - Mondelez
22	Shilpa Vaid	46	0	2,28,59,195	Chief HR Officer, Diageo India	B.A.(H), MBA HR IMI	23	14-11-2022	BU People Lead, India - Mondelez International
23	Shobhana Nikam	51	0	1,41,03,375	Executive Vice President and General Counsel	ML, International and Constitutional Law	26	31-10-2022	Senior Vice President & Head Legal - Wells Fargo International Solutions Private Limited
24	Shrinivas Purushottam Sharma	56	0	72,17,691	General Manager - Environment, Health & Safety	B.E	32	07-05-2012	Senior Manager - Grindwell Norton Ltd

Annexure-4 (Continued)

Sr. No.	Employee Name	Age (as on 31 March 2023)	No. of Shares held	Remuneration paid (in ₹)	Designation & nature of duties	Qualification	Experience (in years)	Date of commencement employment	Particulars of previous employment
25	Shruti Zota	39	0	53,43,863	Vice President - Senior Counsel Legal	BLS LLB	16	10-10-2022	General Counsel - GlaxoSmithKline Pharmaceuticals Ltd
26	Subhro Banerjee	46	0	59,69,917	Senior General Manager - Corporate Affairs	B.com / MBA Finance	22	05-10-2015	Senior Manager Corporate affairs - Amway

Note:

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

By Order of the Board
Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place: Mumbai
Date : May 18, 2023

Annexure-5

Risk Management

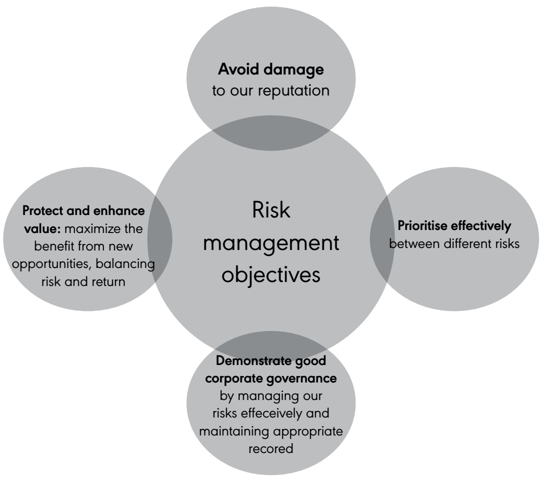
USL's ambition is to create the best performing, most trusted and respected consumer products company in India. We believe, Risk management starts with the right conversations to drive better business decisions, protect our assets, supports a growing, resilient and sustainable business. Our focus is to identify and embed mitigation actions for material risks that could impact our current or future performance, and/or our reputation. Our approach is holistic and integrated, bringing together risk management, internal controls, and business integrity, ensuring that our activities across this agenda focus on the risks that could have the greatest impact.

The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organizational capability with market opportunities and succession planning processes, nurturing specialism, and enhancing organizational capabilities through timely developmental inputs.

In its journey towards risk intelligence: A robust governance structure has been developed across the organization. The nature of business is such that it is subject to certain risks at different points of time. Some of these include escalation in the cost of raw materials and other inputs, increasing competitive intensity from other players, changes in regulation from central and state governments, cyber security, data management and migration risks, data privacy risk, environmental and climate risk. USL has always had a proactive approach when it comes to risk management where it periodically reviews the risks and strives to develop appropriate risk mitigation measures for the same. To enhance this focus, Board of Directors has constituted a Committee of the Board called the Risk Management Committee to frame, implement and monitor risk management plan.

Focus in the year: The Risk Management Committee and Board considered the entity level principal risks and reviewed our risk appetite, setting the level of risk tolerance we have for risks that could impact delivery of our strategic objectives. Examples of risks for which we have zero appetite include risks that could: harm our people and environment; impact product quality; cause us to market irresponsibly or otherwise act without integrity; and be non-compliant with laws and regulations, including those relating to financial reporting. Our principal risks remain unchanged and continue to reflect a challenging external environment.

Our risk management objectives are:



Annexure-5 (Continued)

Our approach:

We have identified, assessed, determined expected impact and likelihood of the risk occurring over the next 12-24 months by using the various parameters such as brand management, reputation management, Operations management, our people, workplace & safety and financial impact on profit.

We take a holistic and end-to-end approach in managing risk.

All aspects of risk such as commercial, operational, financial, strategic, reputational, and compliance risks, whether internal or external in nature are covered as part of Risk Management Committee meeting.

The Committee is concerned not only with the risk itself, but root causes and the range of consequences. Insightful, challenging, discussion is at the heart of our approach and is always directed at achieving positive business outcomes.

We learn lessons when things go wrong or play out unexpectedly.

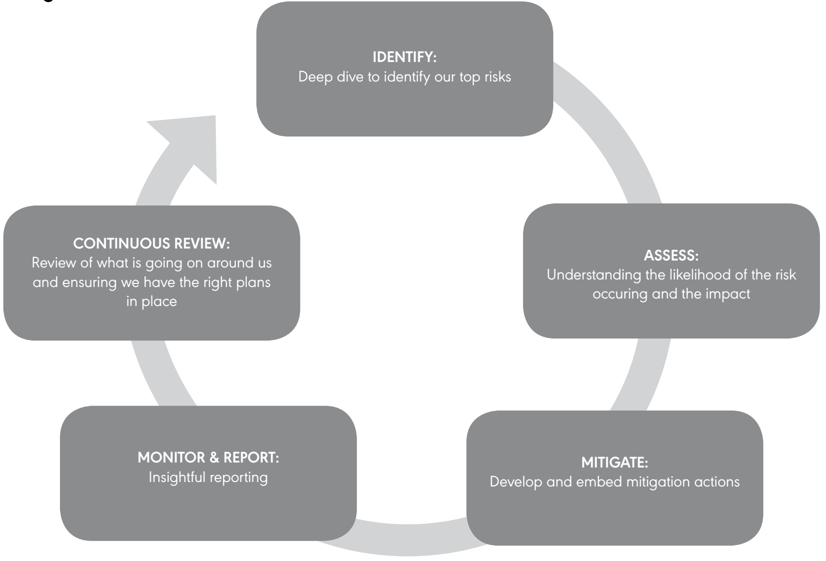
We are agile, and identify and respond to risks as they arise in the short term, or over the medium and longer terms.

We are attuned to an evolving external environment and emerging new risks. Risk at Diageo are defined as “an uncertainty that could help or hinder achieving our business objectives”. Risk management refers to all the things we do to identify, assess, manage and report on risks.

We have an existing framework for Entity Level and Process Level controls. Documented policies, KPIs and Statement of Authority are in place. It provides the mechanism for assessing and managing the sum of the opportunities and risks, both external and internal that may impact the business.

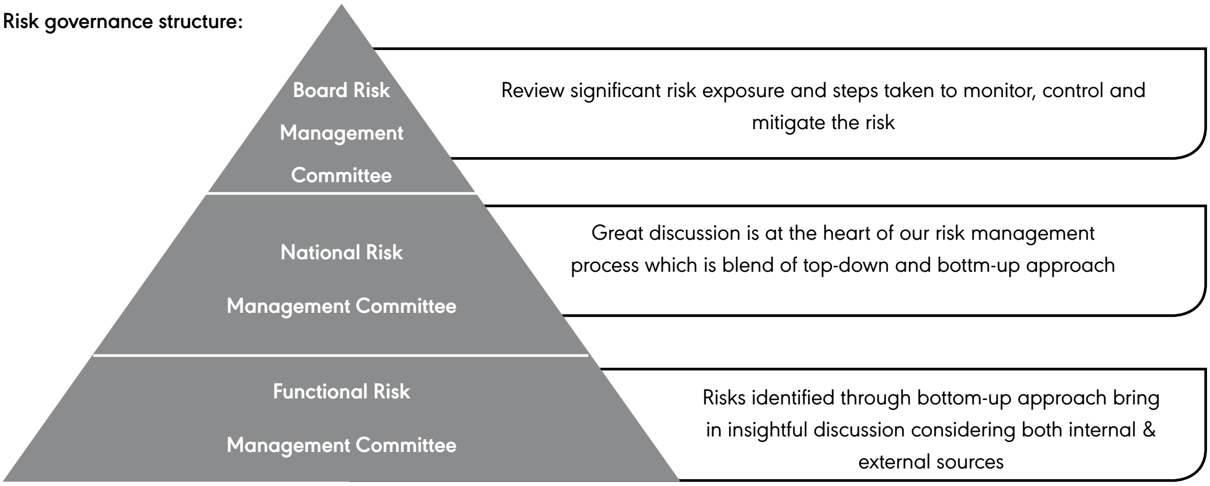
All business functions follow a coordinated process that uses common language of risk and work on the process to either mitigate or reduce the impact of risk. It provides designated owners of the process and risk with a framework for defining the essential tasks of risk management to facilitate timely management of change and ensure effective management of risks. It is driven, demonstrated in action and endorsed by senior management team. The Board exercises independent review through Audit Risk Committee.

Key components of risk management framework:



Annexure-5 (Continued)

Risk governance structure:



Risk Categories:

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

Strategic	Operational		Financial		Compliance/ Regulatory
1. Strategic Business Model	1. Business resilience	3. People and Workplace Safety	1. Financial Management	2. Treasury	1. Compliance Framework
Organisation structure (Inc. major change and transformation)	Business Disruption and Business continuity	People - Talent Management	Financial reporting and statutory governance	Multiple areas - hedging, banking, dividends, financing, share, schemes, factoring	Third party compliance (inc. KYBP)
Mergers and acquisition & divestures		People - Industrial Relations	Record to Report	Insurance	Data Privacy (inc. GDPR and KYD)
Equity or JV investments		People Workplace Health & Safety	Source to pay		Code of business conduct/ ACC
2. External Environment	2. Business Execution	4. Cyber & Information Management	Order to cash	3. Tax	Anti Money Leundering
International Tax Environment	Business Planning & Forecasting	Theft/Loss of Information and DetaManipulation	Data Maintenance	Corporate Tax (e.g. income tax)	Anti Bribery and Corruption (incl G&E)
Critical Industry Developments	Marketing (Brand Protection including DMC & Digital Code)	IT Supplier Compromise	Segregaton of duties	Indirect Taxes (e.g. customers/ excise/GST)	Competition and anti trust
Sustainability & responsibility and climate change	Supply - vendor third party management	Oprational Technology	Statement of authorities	Transfer Pricing	Sanction and trade controls
Economic Change	Supply Raw Materials, Finished Goods and COGS	Strategy & Service Delivery		4. Payroll & Benefits	Human Rights/Dignity at work
Political instability, civil unrest, and terrorism	Supply - Logistics	Retention & Disposal of Information			
Government regulatory restriction & indirect tax	Supply - Procurement			Pension	
	Supply - Quality Contamination Counterfeit			Payroll	

Annexure-5 (Continued)

Risk management highlights for the year

During the year, the USL Executive committee and Board focused on principal risks falling into several categories including increasingly volatile external environment, political changes, risk posed by critical industry development, leadership succession planning and business disruptions due to cyber-attacks. Information regarding key risks facing and their mitigation strategies are given here:

1 Performance 2 Reputation 3 Operational 4 Financial 5 Compliance

RISK	IMPACT	MITIGATION ACTIVITY	RISK DIRECTION
Strategic Risk			
Restriction on Market accessibility & risk of pricing environment 1 4	• Impact on profitability	• Continuous representation and engagement with external stakeholders at all levels. • Industry level initiatives in addressing structural barriers to pricing through co-creation of model excise policies, mutually beneficial to the industry and the governments, with state excise depts. • Engage with the Govt on securing Business through various Industry Bodies & Business forums.	
Counterfeiting 1 2 4	• Harm to consumers • Corporate and brand reputation is damaged. • Financial losses due to supply disruption, product recalls, penalties, and a loss of consumer trust.	• Anti-counterfeiting measures embedded in our packaging deter against reuse and make our products more difficult to copy. • Active program to identify high-risk areas, engaging with excise and law enforcement authorities and participating in industry initiatives to monitor and prevent counterfeit activity. • Brand protection and anti-counterfeit activities focused on high -risk markets and on new technology to assist with product verification • Actively working with e-commerce sites to identify counterfeit activities and seek to stop those activities promptly.	
Cyber Risk 2 3 4	• Financial loss • Operational disruption • Reputational damage.	• Enterprise-wide cyber risk management processes and policies. • Centralized inventory established for all IT managed applications and infrastructure servers. Centralized inventory established for managing all critical information assets. • Use of machine learning and threat intelligence to detect and block sophisticated threats. All servers, network devices are patched regularly aligned to IM&S policy. • Maintain register of privileged accounts, service accounts, generic accounts, shared accounts for each applications / asset and govern lifecycle management (JML, ownership, password). • Mandatory global e-learning and regular phishing exercises for all employees.	

Annexure-5 (Continued)

Climate change and sustainability 2 3 5	• Impact on raw material procurement and pricing. • Increased sustainability compliance requirement • Restriction on the use of certain raw materials for drinks production.	Water supply (sites & around water shed) • Enhance water circularity to have reuse and recycle. • Improve by use of efficiency across operations. • Replenish more water than we use around communities and implement collective actions. • Improve water efficiency by 40% through improved recycling and identifying alternative technologies for water use /reuse. • Raw materials- Barley, Sugarcane and Grapes	
		• Help farmers to practice sustainable agriculture and develop alternative sourcing strategies and alternative ingredients.	
Compliance & Regulatory			
Anti-Trust 2 4	• Severe damage to our company reputation and/ or significant financial penalty.	• Continuous awareness, training and communications • Framework for market data collection (standard operating procedure) finalized with Global & agreed with market stakeholders and being followed. • To analyze and pre-approve market share based scheme proposals from time-to-time, basis business request. • Actively working with Legal working group set up at industry body to monitor and keep a watch to ensure no anti-competitive practices are followed.	
Business integrity, compliance & controls 1 2 5	• Our Code of Business Conduct and supporting policies and standards set out compliance requirements. • Risk assessment framework to identify, assess and monitor business and compliance risks.	• Conduct annual policy awareness sessions on key policies for all its Employees. Training sessions covering all the key policies of the company. • Macroeconomic uncertainty has heightened the risk of fraud and pressure on employees, customers, and suppliers. This may be further exacerbated with remote working. • Refreshed our know your business partner program to include enhanced due diligence for high-risk partners, possible tax evasion facilitation, and risk and sanction screening for all third parties. • Deployment of values-based training and engagement across the functions on controls and compliance.	

No change Decrease

Annexure-6

Corporate Social Responsibility (CSR)

THE ANNUAL REPORT ON CSR ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2023

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

1. Brief outline of the CSR Policy of the Company

CSR Strategy of the Company supports our ambition to become the best performing, most trusted, and respected consumer products Company in India. Your Company recognizes that its business activities directly affect the lives of people around our plants and in the markets that we operate in. We believe that the communities in which we operate should benefit from our presence. We are aware of the importance of being responsible for our brands, and the way we develop, produce, and sell them. As one of the world's leading alcoholic beverage businesses, we want to be at the forefront of industry efforts to promote responsible drinking and reduce the harmful use of alcohol. Our Sustainability & Responsibility Strategy integrates social responsibility into our core business to create value for the society and our shareholders.

2. Composition of Corporate Social Responsibility and Environmental, Social and Governance (CSR and ESG) Committee:

Sl. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR and ESG Committee held during the year	Number of meetings of CSR and ESG Committee attended during the year
1.	Indu Shahani	Non-Executive Independent Director	4	4
2.	Hina Nagarajan	Managing Director and Chief Executive Officer	4	2
3.	D Sivanandhan	Non-Executive Independent Director	4	4
4.	Mark Sandys	Non-Executive Director	4	4

3. Web link where the Composition of the CSR and ESG Committee, CSR Policy, and CSR projects approved by the Board is disclosed on the website of the Company:

https://www.diageoindia.com/en/investors/corporate-social-responsibility

4. Executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.

As per sub-rule (3)(a) of rule 8 of The Companies (Corporate Social Responsibility Policy) Rules, 2014 impact assessment was not applicable for financial year 2020-21 as Company's CSR obligation for financial year 2020-21 was ₹93.5 million which was less than ₹100 million as prescribed in the abovementioned rule.

However, during the financial year Company had voluntarily undertaken the impact assessment for Water Stewardship Project of financial year 2020-21. The detailed impact assessment report can be accessed on the website of the Company at: https://media.diageo.com/diageo-corporate-media/media/qmol3vrw/final-report_diageo_impact-assessment_20220201.pdf.

Annexure-6 (Continued)

5.

Sr. No.	Particulars	Amounts (in ₹ millions)
5(a)	Average net profit of the Company as per Section 135(5) of the Companies Act, 2013:	9,462
5(b)	Two percent of average net profit of the Company as per Section 135(5) of the Companies Act, 2013:	189
5(c)	Surplus arising out of CSR projects or programs or projects or activities of the previous financial years:	Nil
5(d)	Amount required to be set-off for the financial year, if any:	Nil
5(e)	Total CSR obligation for the financial year [(b)+(c)-(d)]:	189

6.

Sr. No.	Particulars	Amounts (in ₹ million)
6(a)	Amount spent on CSR projects (both Ongoing projects and other than Ongoing Project):	182
6(b)	Amount spent in Administrative Overheads:	9
6(c)	Amount spent on Impact Assessment, if applicable:	1
6(d)	Total amount spent for the financial year [(a)+(b)+(c)]):	192

(e) CSR amount spent or unspent for the financial year:

Total amount spent for the financial year (in million)	Amount unspent (in million)				
	Total amount transferred to unspent CSR account as per Section 135(6) of the Companies Act, 2013		Amount transferred to any Fund specified under Schedule VII as per the second proviso to Section 135(5) of the Companies Act, 2013		
	Amount (in million)	Date of Transfer	Name of the Fund	(in million)	Date of Transfer
192	79	27/04/2023	N.A.	N.A	N.A.

(f) Excess amount for set off, if any*:

Sl. No.	Particulars	Amount (in ₹ million)
(i)	Two percent of the average net profit of the Company as per Section 135(5) of the Companies Act, 2013	189
(ii)	Total amount spent for the financial year	192
(iii)	Excess amount spent for the financial year [(ii)-(i)]	3
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	N.A.
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	3*

* The Company does not intend to carry forward any excess amount spent under CSR activities for the year ended March 31, 2023.

Note - During the current financial year, the Company has not considered "Administration spends" incurred by the implementation agencies as part of CSR spends. However in financial year 2021-22, such administration spends of approx. ₹10 million was disclosed as CSR spends. Taking a conservative view of excluding the aforesaid amount from previous year spends, the Company had spent 4.7% against the mandatory requirement of 2% statutory limit.

Annexure-6 (Continued)

7. **Details of unspent Corporate Social Responsibility amount for the preceding three financial years:**

Sl. No.	Preceding financial year(s)	Amount transferred to unspent CSR Account under section 135 (6) of the Companies Act, 2013 (in million)	Balance Amount in Unspent CSR Account under subsection (6) of section 135 (in million)	Amount spent in the financial year (in million)	Amount transferred to any fund specified under Schedule VII as per Section 135(6) of the Companies Act, 2013, if any		Amount remaining to be spent in succeeding financial years (in million)	Deficiency, if any
					Amount (in million)	Date of Transfer		
1.	N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	

8. **Whether any capital asset have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year :** No

9. **Specify the reason(s), if the Company has failed to spend two percent of the average net profit as per Section 135(5) of the Companies Act, 2013:** Not applicable

Hina Nagarajan
(Managing Director and Chief Executive Officer)

Indu Shahani
(Chairperson CSR & ESG Committee)

Annexure-7

Energy Conservation, Technology Absorption & Foreign Exchange

Details of Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outflow (Section 134 (3) (m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014)

A) (i) Conservation of Energy

As a responsible corporate, your Company has committed to eliminate the use of fossil fuel for all your energy requirement for distilleries by installing all Boilers which can use Biomass as fuel and with this 100% of energy requirement for all our distilleries are being met through renewable fuel. Past three years your Company has sustained Zero Coal/fossil fuel status.

Your Company has well progressed to achieve 100% renewable electricity status by generating renewable electricity through steam turbines, biogas engines, Solar electricity, and International Renewable Electricity Certificates (i-REC).

Your company has ensured that all distilleries are equipped with steam Turbines across Distillery operations to generate renewable electricity.

Your company doubled its Solar Potential last year by installing Solar Power System across our distilleries at Alwar, Goa, Kumbalgodu and Baramati and this should help us in enhancing in-house potential of Renewable Electricity to more than 65%.

Your company has committed to achieve 100% Renewable energy for own Operations through Society 2030: Spirit of Progress ambition to achieve 100% Renewable energy for own Operations.

Your Company is well on your way to achieve 100% renewable energy and renewable Electricity status through investing in enhancing in-house capability to generate renewable electricity and conservation of Energy.

(ii) Renewable Energy (Own units):

- As an entity, your Company improving consistently in the following areas and making steady progress
- Committed to Conserve energy and Improve energy efficiency
- Committed towards achieving 100% renewable energy status and 100 % Renewable Electricity Status
- Committed to use only Biofuel across boilers at all distilleries for all thermal energy requirements
- Self-generation of renewable electricity through steam turbines and Solar Panels
- Procurement of International Renewable Energy Certificates (i-REC) for electricity imported from grid

B) Technology Absorption

(i) The efforts made towards technology absorption.

A. Fully integrated high speed packaging line installed at multiple units with built in reliability, enhanced automation and quality assurance capabilities.

B. Automatic Inspection Systems for Empty Bottle & Filled Bottle to ensure Zero Quality issues in final Product – This is to enable quality assurance and to bring in Customer Delight.

C. Water less Cooling Towers – First of its Kind for Alco Bev Industry and sustainability initiative towards drive on water neutrality.

Annexure-7 (Continued)

(ii) **The benefits derived like product improvement, cost reduction, product development or import substitution.**

All these automations are first of its kind for Diageo India and enabled delivery with respect to less dependency on manpower, high outputs, low operating cost, improved safety & quality.

(iii) **In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-**

(a) The details of technology imported, Bottle Inspection Systems, Corking & Capsuling Machines.

(b) The year of import; 2022.

(c) Whether the technology been fully absorbed; Yes. Inspection Systems are completely Installed and operating at Nimapada factory.

(d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof.

Not applicable.

(iv) **The expenditure incurred on Research and Development:**

Around ₹390 million capital has been spend on Research and Development which includes renovation and Innovation.

C) Foreign Exchange Earnings and Outgo

Foreign Exchange Earning and Outgo-	(in ₹ millions)
Foreign Exchange earned in terms of actual inflows during the year	1,363.51
Foreign Exchange outgo in terms of actual outflows during the year	11,173.05

By Order of the Board
Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place: Mumbai
Date : May 18, 2023

Corporate Governance Report

1. Company's philosophy on code of corporate governance

We believe in governance that supports not only the Company but also the value of the shareholders and Company's stakeholders. The path we have set out will be holistic and based on practices which helps achieve the Company's goals in an ethical, compliant, and professional manner.

2. Board of directors

2.1 The Board composition is in conformity with the applicable provisions of the Companies Act, 2013 ('the Act') and Securities and Exchange Board of India ('SEBI') (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as amended from time to time.

2.2 As on the date of this report, Composition of the Board of Directors of the Company is as follows:

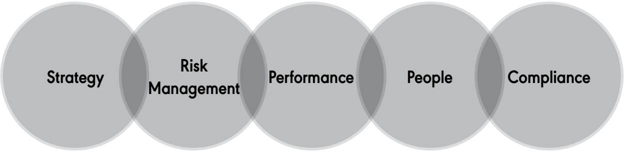
Category		Number of Directors
i)	Non-Independent Directors	
	Managing Director	1
	Executive Director	1
	Non-executive Directors	3
ii)	Independent Directors (including the Chairman and a woman director)	5
Total Strength (i + ii)		**10**

2.3 In the opinion of the Board, the Independent Directors fulfilled the conditions specified in Listing Regulations and are independent of the management. None of the Directors are *inter-se* related to each other. No Independent Director has resigned before expiry of his/her term during the financial year.

2.4 None of the Directors holds directorship in more than 10 public companies,serves as director or independent director in more than 7 listed companies. Further, none of them is a member of more than 10 committees or Chairperson of more than 5 committees across all public companies in which he/she is a director.

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

The Board has set the following yardsticks in the context of its business and for its effective functioning:



Strategy: Directors help develop proposals on strategy;

Risk Management: Ensuring that integrity of financial information is maintained and that the financial controls and systems of risk management are robust;

Performance: Directors review and monitor the performance of management in terms of agreed goals and objectives;

People: Directors play a prime role in determining appropriate levels of remuneration of Executive Directors, Key Managerial Personnel and senior management and in appointing/ retaining Executive Directors, Key Managerial Personnel and senior management and in succession planning;

Compliance: Maintain checks over the governance, and compliance with the applicable legislation and regulations and the conformity of the Company's practices to accepted governance norms.

The directors' strive to achieve the above through insights obtained from a combination of experience and expertise in their respective areas such as FMCG sector, Investment Banking sector, legal, finance, administration, technical knowledge and global exposure.

2.6 Attendance of each Director at the Board Meetings and at the last Annual General Meeting (AGM) and details of the number of outside directorships and committee positions held by each of the Directors as on March 31, 2023 are given below:

Corporate Governance Report (Continued)

Name of Director and Category	No. of Board Meetings attended during the financial year	Attendance at last AGM held on August 09, 2022	No. of directorships in other unlisted public and listed companies as on March 31, 2023*	No. of committees (other than the Company)		Directorships in other listed companies and category of directorship
				Chairman / Chairperson	Member	
Mr. Mahendra Kumar Sharma (Independent Non-Executive Director and Chairman)	5	Yes	1	1	0	Nil
Ms. Hina Nagarajan (Managing Director and Chief Executive Officer)	4	Yes	Nil	Nil	Nil	Nil
Mr. Pradeep Jain (Executive Director and Chief Financial Officer)$	NA	NA	Nil	Nil	Nil	Nil
Mr. V K Viswanathan (Independent Non-Executive Director)	5	Yes	6	4	2	1. **Bharti Airtel Limited** (Independent Director) 2. **HDFC Life Insurance Company Limited** (Independent Director) 3. **KSB Limited** (Independent Director) 4. **ABB India Limited** (Independent Director)
Dr. (Mrs.) Indu Shahani (Independent Non-Executive Director)	5	Yes	3	1	4	1. **Bajaj Electricals Limited** (Independent Director) 2. **Colgate Palmolive (India) Limited** (Independent Director) 3. **Heubach Colorants India Limited (formerly known as Clariant Chemicals (India) Limited** (Independent Director)
Mr. D Sivanandhan (Independent Non-Executive Director)	5	Yes	8	1	6	1. **Forbes & Company Limited** (Independent Director) 2. **Kirloskar Industries Limited** (Independent Director) 3. **Inditrade Capital Limited** (Independent Director) 4. **AGS Transact Technologies Limited** (Independent Director)

Corporate Governance Report (Continued)

Name of Director and Category	No. of Board Meetings attended during the financial year	Attendance at last AGM held on August 09, 2022	No. of directorships in other unlisted public and listed companies as on March 31, 2023*	No. of committees (other than the Company)		Directorships in other listed companies and category of directorship
				Chairman / Chairperson	Member	
Mr. Rajeev Gupta (Independent Non-Executive Director)	4	No	4	1	2	1. **EIH Limited** (Independent Director) 2. **Rane Holdings Limited** (Independent Director) 3. **TV Today Network Limited** (Independent Director) 4. **Vardhman Special Steels Limited** (Independent Director)
Ms. Mamta Sundara (Non-Executive Director)$$	NA	NA	Nil	Nil	Nil	Nil
Mr. John Thomas Kennedy (Non- Executive Director)	5	No	Nil	Nil	Nil	Nil
Mr. Randall Ingber (Non-Executive Director)$$$	2	Yes	Nil	Nil	Nil	Nil
Mr. Mark Sandys (Non-Executive Director)	5	Yes	Nil	Nil	Nil	Nil

$-Mr. Pradeep Jain, Chief Financial Officer (CFO) was appointed as an Executive director with effect from February 1, 2023 designated as Executive Director and Chief Financial Officer.

$$- Ms. Mamta Sundara was appointed as a Non-Executive Non-Independent Director with effect from February 1, 2023.

$$$- Mr. Randall Ingber resigned as a Non-Executive director from end of the day January 31, 2023.

* Excluding Private Limited Companies, Foreign Companies, Section 8 Companies and Alternate Directorships.

Note:

- The above details are in respect of their directorships only in Indian companies and committee memberships and chairmanships in Audit Committee and Stakeholders Relationship Committee in terms of Regulation 26(1) of the Listing Regulations. The last column consists of listed Indian companies only in terms of Regulation 17A of the Listing Regulations.
- NA - Not Applicable

Corporate Governance Report (Continued)

2.7 During the financial year under review, 5 Board Meetings were held, i.e., on May 27, 2022, July 26, 2022, September 7, 2022, October 21, 2022, January 24, 2023 and the gap between any two Board Meetings did not exceed 120 days.

Name of Director and Category	1 27-May-22	2 26-Jul-22	3 7-Sep-22	4 21-Oct-22	5 January 24,2023	% of Meeting attended during the year
Mr. Mahendra Kumar Sharma (Independent Director and Chairman)	✓	✓	✓	✓	✓	100%
Ms. Hina Nagarajan (Managing Director and Chief Executive Officer)	✓	✓	✓	LOA***	✓	80%
Mr. Pradeep Jain (Executive Director and Chief Financial Officer)$	NA**	NA**	NA**	NA**	NA**	-
Mr. V K Viswanathan (Independent Director)	✓	✓	✓	✓	✓	100%
Dr. (Mrs.) Indu Shahani (Independent Director)	✓	✓	✓	✓	✓	100%
Mr. D Sivanandhan (Independent Director)	✓	✓	✓	✓	✓	100%
Mr. Rajeev Gupta (Independent Director)	LOA***	✓	✓	✓	✓	80%
Ms. Mamta Sundara (Non-Executive Director)$$	NA**	NA**	NA**	NA**	NA**	-
Mr. John Thomas Kennedy (Non-Executive Director)	✓	✓	✓	✓	✓	100%
Mr. Randall Ingber (Non-Executive Director)$$$	LOA***	LOA***	✓	LOA***	✓	40%
Mr. Mark Sandys (Non-Executive Director)	✓	✓	✓	✓	✓	100%

$- Mr. Pradeep Jain, Chief Financial Officer (CFO) was appointed as an Executive director with effect from February 1, 2023 designated as Executive Director and Chief Financial Officer.

$$- Ms. Mamta Sundara was appointed as a Non-Executive Non-Independent Director with effect from February 1, 2023.

$$$- Mr. Randall Ingber resigned as a Non-Executive director from end of the day January 31, 2023.

** NA - Not Applicable

*** LOA - Leave of Absence

Corporate Governance Report (Continued)

2.8 Awards and recognition

- Your Company's product Godawan, our artisanal single malt whisky won the Superior Taste Award (STA capital) at the International Taste Institute Brussels, the Grand Gold & Gold Awards at The Monde Selection World Quality Awards, Brussels and Silver Award at the World Spirits Award, Austria. Our Alwar distillery won the Craft Producer of the Year Award for Godawan. We also got the Brand Innovator of the Year Award for Godawan and Epitome Reserve at the 'Icons of Whisky' organised by the Whisky Magazine, UK.

- The renovated Black Dog packaging won the WorldStar Award from the World Packaging organisation.

- Your Company has won five awards for its premium whisky and scotch brands at INDSPIRIT Awards by Ambrosia:

  o Best IMFL Premium Whisky – Signature premium grain whisky.

  o Best Blended Scotch Whisky (12 Years & above BII) – Black Dog 14 YO Blended Scotch Whisky.

  o Best Blended Premium Scotch Whisky (BIO) - Johnnie Walker Blonde Blended Scotch Whisky.

  o Best Packaging award (Overall aesthetic) - Johnnie Walker Blonde Blended Scotch Whisky.

  o Best Packaging award (Unit Pack) - Black Dog 14 YO Blended Scotch Whisky.

- Your Company has received multiple awards at the Exchange4media (E4M), the Mobile Marketing Awards (MADDIES) and India Marketing Awards.

Gold	o Best Innovation: Johnnie Walker Refreshing Mixer Drone Show
Bronze	o Best Use of PR: McDowell's No1 Soda IPL 2022
	o Best Use of Omni Channel Marketing: McDowell's No1 Soda IPL 2022

- Your Company also won E4M India Design Excellence Bronze Award for Black Dog Renovation under the rebranding category and Royal Challenge Diler - Meri Dilli ki Nayi Whisky Limited Edition Pack won a Silver at the India Design Excellence awards for packaging design.

- Your Company won multiple awards at the ETBrandEquity Brand Strategy Awards including a gold for the Johnnie Walker Drone Campaign under the Tech Enabled Media Plan category and two bronze for the Black & White Ginger Ale Magic of Sharing campaign under the Digital Media Plan - Other Platforms category.

- Your Company won the silver award for the Best Media Innovation Digital Social Media for the Johnnie Walker Refreshing Mixer Drone Campaign at Emvies, introduced, by the Advertising Club Bombay.

- Your Company bagged multiple recognitions for two brands at Transform Awards India

  o McDowell's No1 won the Bronze for Best Brand Evolution and Best Brand Experience categories.

  o Black Dog won the Silver for Best Brand Evolution and Bronze for Best Visual Identity from the Food & Beverage sector and Best Use of Packaging categories.

- Your Company was recognised as the winner in the 'CSR of the Year' category at the Spiritz Achievers' Awards 2022.

- Your Company received the Silver Employer award by Pride Circle India Workplace Equality Index and was recognised as one of the 'Most Preferred Workplaces of 2022, in association with India Today.

- Ms. Hina Nagarajan, Managing Director and Chief Executive Officer of the Company, was awarded the coveted Most Powerful Women in Business, 2022 by Business Today and the Most Influential Women 2023 by Business World.

- Your Company's Alwar distillery, home to the Godawan Artisanal Single Malt Whisky, has received the Alliance for Water Stewardship Certification, making it the first spirit distillery in Asia to achieve this recognition. The Unit was also awarded Merit Grade in the International Safety Awards, 2023 by British Safety Council.

- Your Company's plant in Aurangabad received the highest award of "PAR EXCELLENCE" for EHS case study and won the "EXCELLENCE" Award for the Quality Circle project on Productivity at the National Convention on Quality Concepts (NCQC-2022) competition organised by the Quality Circle Forum of India.

Corporate Governance Report (Continued)

- Your Company's plant in Baramati bagged multiple awards including:
  - o Silver Medallion for Sustainable Improvement at Integrated Manufacturing Excellence Initiatives-2022 held by Kaizen-Hansai.
  - o "International Safety Awards 2023" from British Safety Council.
  - o Gold and Silver award at Chapter Convention of Quality Circle-Pune 2022 held by Quality Circle Forum of India.
- Your Company's plant in Nacharam received multiple recognitions including:
  - o Silver Medal at the National Awards for Manufacturing Competitiveness conducted by International Research Institute for Manufacturing.
  - o Bronze Award at the CII-Southern Region EHS Excellence Awards 2022.
  - o Silver Award in CII-FACE Food Safety & Quality Kaizen Competition held at New Delhi.
  - o Excellence Award at the 36th National Convention on Quality Concepts (NCQC) held at Aurangabad.
  - o Gold Award at 36th Convention on Quality Concepts (CCQC) held at Hyderabad.
- Your Company's plant in Nashik received Gold Award with 4-Star Safety Rating & OHSSAI Leadership Award at OHSSAI 7th Annual HSE & Sustainability Awards held at Ahmedabad and a Gold award at the 43rd CII National Kaizen Competition- 2022.
- Your Company's plant in Nimapara received multiple awards including:
  - o "Gold with 4-Star Safety Rating" under OHSSAI OH&S category & "OHSSAI H&S Leadership Award" at the OHSSAI 7th Annual HSE Excellence & Sustainability Award 2023 held at Ahmedabad.
  - o "Silver Award" for presenting a case study under "Renovation Category" at 45th CII National KAIZEN Competition held by CII Institute of Quality-TPM Club of India.
  - o "Gold & Silver Award" for presenting Quality Circle projects at 4th Chapter Convention on Quality Chapters conducted by QCFI, Bhubaneswar chapter.

2.9 Web link where details of familiarization programs imparted to independent directors is disclosed.

The details of the familiarization programs imparted to the Independent Directors are disclosed on the Company's website at https://media.diageo.com/diageo-corporate-media/media/p5zbakqx/directors-familiarisation-program-details_march-2023.pdf

Corporate Governance Report (Continued)

2.10 Matrix setting out the core Skills /Expertise/ Competence of the Board of Directors

A chart/Matrix setting out the core skills/expertise/competencies identified by the Nomination and Remuneration Committee in the context of the Company's business and sectors as required for it to function effectively and those available with the Board along with the names of Directors who have such skills/expertise/competence, are given below:

Name of Director	Skills/Expertise/Competency				
	Leadership	Managerial Experience	Diversity	Risk Management	Corporate Governance
Mr. Mahendra Kumar Sharma	✓	✓	✓	✓	✓
Ms. Hina Nagarajan	✓	✓	✓	✓	✓
Mr. Pradeep Jain	✓	✓	✓	✓	✓
Mr. V K Viswanathan	✓	✓	✓	✓	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓	✓	✓
Mr. D Sivanandhan	✓	✓	✓	✓	✓
Mr. Rajeev Gupta	✓	✓	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓	✓
Mr. Mark Dominic Sandys	✓	✓	✓	✓	✓
Ms. Mamta Sundara	✓	✓	✓	✓	✓

2.11 Disclosures regarding appointment and re-appointment of directors

The details of appointment/re-appointment of directors are mentioned in point of the Board's Report pursuant to Regulation 36(3) of Listing Regulations. Brief profile of the director who is being re-appointed is mentioned as part of AGM Notice annexed to this Report.

3. Audit committee

3.1 During the year under review, the Audit Committee comprised of following directors:

Mr. V K Viswanathan (Chairperson)	Independent Director
Mr. Rajeev Gupta	Independent Director
Mr. Mahendra Kumar Sharma	Independent Director
Mr. John Thomas Kennedy	Non-Executive Director

3.2 Pursuant to Regulation 18(3) and Part C of Schedule II of Listing Regulations, the detailed terms of reference of the Audit Committee is available on website of Company https://media.diageo.com/diageo-corporate-media/media/khtjtsfb/audit-committee-charter_2022.pdf

Key Terms of Reference of the committee are:

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

b) Recommending the appointment, remuneration and terms of appointment and removal of statutory auditors.

c) Review and monitor the auditor's independence, qualification, expertise, resources, objectivity, independence, performance and effectiveness of the auditors and the audit process.

d) Approval of payment to the Statutory Auditors for non- audit services rendered by them.

e) Discuss with the external auditors problems and reservations arising from their audits, and any other matter the external auditors may wish to discuss.

f) Examination of the financial statement and the auditors' report thereon.

g) Scrutiny of inter-corporate loans and investments and other loans and investments if any.

h) Valuation of undertakings or assets of the Company.

i) Evaluation of internal financial controls and risk management.

j) Reviewing with the management and auditors, the quarterly or annual or other periodical financial statements before submission to the Board for approval, focusing primarily on:

   i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's

Corporate Governance Report (Continued)

report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013.

ii. Major accounting entries and decisions based on exercise of judgement by management.

iii. Changes if any in Accounting policies and practices and reasons for the same.

iv. The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.

v. Qualifications/ modified opinion(s) in the draft audit report.

vi. Significant adjustments arising out of audit.

vii. Critical accounting policies and practices, and any changes in them.

viii. The going concern assumption.

ix. Compliance with Accounting Standards.

x. Regulatory Compliances including Tax Compliances, Compliance with listing and other legal requirements concerning financial statements.

xi. Prior approval or any subsequent modifications of transactions of the Company with related parties including omnibus approval of such RPT and disclosure of any such related party transactions. The term "related party transactions" (RPT) shall have the same meaning as contained in the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or such Accounting Standards, issued by The Institute of Chartered Accountants of India, as may be amended from time to time.

xii. Review disclosure of any related party transactions.

xiii. Review and follow up of open matters arisen from Past Meetings.

k) Monitoring and reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

l) Reviewing with the management, performance of statutory and internal auditors and the adequacy of internal control system, risk management system, control over financial reporting, and propose wording relating to these in the annual financial statements.

m) Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, areas of coverage and frequency of internal audit and approval of internal audit charter.

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

o) Discussion with internal auditors any significant findings and follow up thereon.

p) Discussion with statutory auditors and internal auditors before the audit commences about nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.

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

r) To review the functioning of the Vigil/Whistle Blower mechanism and extend the applicability to directors also and ensure adequate safeguard against victimization of directors/ employees/any other person who avail the mechanism and also provide for direct access to the Chairperson of the Audit Committee in appropriate/ exceptional cases.

s) Approval of appointment of Chief Financial Officer (CFO) i.e., the whole time Finance Director or any other person heading the finance function or discharging that function after assessing the qualifications, experience & background, etc. of the candidate. The Audit Committee shall consider for appointment to the position of CFO such candidates who, from time to time are nominated in accordance with the Articles of Association of the Company.

3.3 The Audit Committee, *inter alia*, has reviewed the financial statements including Auditors' Report for the year ended March

Corporate Governance Report (Continued)

31, 2023 and has recommended its adoption. In addition, the Audit Committee has also reviewed the unaudited quarterly financial results for the quarter ended June 30, 2022, quarterly and six months ended September 30, 2022 and quarterly and nine months ended December 31, 2022 (which were subjected to a limited review by the Statutory Auditors of the Company).

3.4 During the financial year under review, four meetings of the Audit Committee were held i.e., on May 26 & 27, 2022, July 25 & 26, 2022, October 20 & 21, 2022, January 23 & 24, 2023, and the gap between any two Audit Committee Meetings did not exceed 120 days. The details of attendance by members of the Audit Committee at such meetings are as stated below:

Name of Director	1	2	3	4
	May 26 & 27, 2022	July 25 & 26, 2022	October 20 & 21, 2022	January 23 & 24 , 2023
Mr. V K Viswanathan (Chairperson)	✓	✓	✓	✓
Mr. Rajeev Gupta	LOA*	LOA*	✓	✓
Mr. Mahendra Kumar Sharma	✓	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓

LOA* – Leave of Absence

4. Nomination and remuneration committee

4.1 During the year under review, the Nomination and Remuneration Committee (NRC) comprised of following Directors:

Dr. (Mrs.) Indu Shahani (Chairperson)	Independent Director
Mr. D Sivanandhan	Independent Director
Mr. V K Viswanathan	Independent Director
Mr. John Thomas Kennedy	Non-Executive Director

4.2 Pursuant to Regulation 19(4) and Part D of Schedule II of Listing Regulations, the terms of reference of the NRC is available on website of Company https://media.diageo.com/diageo-corporate-media/media/d3zmwssi/nomination-and-remuneration-committee-charter.pdf

Key Terms of Reference of the committee are:

i. Assist the Board of Directors of the Company to:

1. Determine, review and propose compensation principles and policy of the Company;
2. Assess and review compensation plans recommended by the management;
3. Recommend the compensation packages of the Company's Executive Directors.

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

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

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

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

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

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

4.3 During the financial year under review, four meetings were held i.e., on May 26, 2022, September 07, 2022, October 20, 2022 and January 23, 2023. The details of attendance by the members of NRC at such meetings are as stated below:

Name of Director	1	2	3	4
	May 26, 2022	September 07, 2022	October 20, 2022	January 23, 2023
Dr. (Mrs.) Indu Shahani (Chairperson)	✓	✓	✓	✓
Mr. V K Viswanathan	✓	✓	✓	✓
Mr. D Sivanandhan	✓	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓

Corporate Governance Report (Continued)

4.4 Performance Evaluation of Independent Directors

Pursuant to the provisions of the Act and Regulation 34(3) read with Schedule V(C) (4)(d) of the Listing Regulations, the NRC has prescribed performance evaluation criteria for Independent Directors as well as for the non-independent directors, the committees, and the entire Board of Directors. Evaluation was carried out during the financial year for all the Directors and the Committees viz. Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship and General Committee, Corporate Social Responsibility & Environmental, Social and Governance Committee and Risk Management Committee. The Board of Directors and Committee members appreciated that the evaluation process of the Company was in par with other major corporates and benchmarked the Company with other top corporates in terms of involvement, participation, transparency, objectivity, information made available on time, qualitative comments on improvements and diversity on the Board. The evaluation of Independent Directors is undertaken by the entire Board of directors including (a) performance of the directors; and (b) fulfillment of the independence criteria as specified in Listing Regulations and their independence from the management. In the above evaluation, the directors who are subject to evaluation did not participate. The results of evaluation showed high level of commitment and engagement of Board, its various committees. The results of the evaluation were shared with the Board, the Chairman of respective committees and directors. Based on the outcome of the evaluation, the Board and Committees have agreed on an action plan to further improve the effectiveness and functioning of the Board and Committees. The directors expressed their satisfaction with the evaluation process. During the year under review, the Committee ascertained and reconfirmed that the deployment of “questionnaire” as a methodology, is effective for evaluation of performance of Board, committees and individual directors.

Since all Independent Directors are serving their second term, succession planning exercise has been initiated and action items emerging out of previous and current years evaluation process is proposed to be addressed.

5. Stakeholders’ relationship and general committee

5.1 During the year under review, the composition of the Stakeholders’ relationship and general committee (SRGC) is as under:

Mr. D Sivanandhan (Chairperson)	Independent Director
Dr. (Mrs.) Indu Shahani	Independent Director
Ms. Hina Nagarajan	Managing Director and Chief Executive Officer

5.2 Pursuant to Regulation 20 and Part D of Schedule II of Listing Regulations, the terms of reference of the SRGC is available on website of Company https://media.diageo.com/diageo-corporate-media/media/zt5fcvlw/stakeholders-relationship-and-general-committee-charter_may-27-2020.pdf

Key Terms of Reference of the committee are:

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

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

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

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

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

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

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

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

Corporate Governance Report (Continued)

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

j. Issue / revocation / modification of powers of attorney to represent the Company.

k. Power to borrow subject to applicable laws from banks, financial institutions and other bodies corporate, apart from the money(s) already borrowed till date under any specific resolutions, such that the borrowings availed by the Company pursuant to the resolutions of the Stakeholders & General Committee of Directors and outstanding at any point of time, do not exceed an amount of ₹500 Crore in aggregate.

l. Power to give loans subject to applicable laws to wholly owned subsidiaries of the Company for the purpose of Working Capital, apart from the loans already made to the wholly owned subsidiaries of the Company till date under any specific resolutions for such purpose(s), such that the total amount of loan given pursuant to the resolutions of the Stakeholders & General Committee of Directors for such purpose(s) and outstanding, at any point of time, do not exceed ₹500 Crore in aggregate.

5.3 Mr. Mital Sanghvi, Company Secretary is the Compliance Officer of the Company.

5.4 During the financial year under review four meetings were held i.e., on May 26, 2022, July 25, 2022, October 20, 2022 and January 23, 2023 respectively.

5.5 The details of attendance by members of the SRGC are as below:

Name of Director	1	2	3	4
	May 26, 2022	July 25, 2022	October 20, 2022	January 23, 2023
Mr. D Sivanandhan (Chairperson)	✓	✓	✓	✓
Ms. Hina Nagarajan	✓	✓	LOA*	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓	✓

*LOA- Leave of Absence

5.6 The Company/Company's Registrar and Transfer Agents received 17 complaints during the financial year, out of which 16 were resolved to the satisfaction of shareholders/investors. As on March 31, 2023, one complaint was pending towards non-receipt of 830 shares. The Company had undertaken sub-division in face value of its shares in the year 2018 and the unclaimed shares including the aforesaid 830 shares were transferred by the Company to a separate demat account as per schedule VI of SEBI (LODR) Regulations. As on the date of this report, the shares have been transferred to the shareholder and the complaint is resolved.

Sl. No.	Complaints relating	No. of Complaints Received	No. of Complaints Resolved
1.	Non-receipt of refund order/ allotment letter	Nil	Nil
2.	Non-receipt of Dividend/ Interest on Shares/ Debentures/Fixed Deposits/ maturity amount on debentures	1	1
3.	Non-receipt of share certificates	1	1
4.	Non-receipt of Report/Rights forms/ Bonus shares/interest on delayed refund/Dividend and Interest	Nil	Nil
5.	Others*	15	14
	Total	17	16

In addition to the above, there are few pending shareholder litigations where the Company is a party.

*Includes shareholders complaints relating to the IEPF, unclaimed shares and non-receipt of shares pursuant to mergers etc.

5.7 Dividend distribution policy

Pursuant to Regulation 43A of Listing Regulations the Company has framed a Dividend Distribution Policy which lays out the parameters to be considered while declaring dividend. The said policy is available on the website of the Company at https://media.diageo.com/diageo-corporate-media/media/vzoat24a/2034693068dividend_policy.pdf. The parameters for dividend payment as per policy includes dividend payout ratio as well.

6. Risk Management Committee

6.1 The composition of the Risk Management Committee (RMC) is as under:

Mr. Mahendra Kumar Sharma (Chairperson)	Independent Director
Mr. V K Viswanathan	Independent Director
Ms. Hina Nagarajan	Managing Director and Chief Executive Officer
Mr. Pradeep Jain	Executive Director and Chief Financial Officer
Ms. Mamta Sundara	Non-Executive Director
Mr. Randall Ingber*	Non-Executive Director

*Ceased to be a member from end of the day January 31, 2023, due to resignation.

Corporate Governance Report (Continued)

6.2 Pursuant to Regulation 21 and Part D of Schedule II of Listing Regulations, the terms of reference of the RMC is available on website of Company https://media.diageo.com/diageo-corporate-media/media/snsc5ris/amended-rmc-charter_may-2021.pdf

a. To assess risks periodically for the effective execution of business strategy and review the risks associated with business strategy.

b. To annually review and approve the Risk Management Framework of the Company including risk management processes and practices of the Company and ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.

c. Evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner so as to ensure the business continuity.

d. The committee shall make reports to the Board at least once in a year with respect to risk management and minimization procedures and for inclusion in the Report and such other disclosures.

e. Set the procedures for identifying business risks (including financial risks) and controlling their financial impact on the Company.

f. To evaluate and ensure that appropriate processes and systems are in place to monitor and report cyber security risks.

g. The Committee shall perform such other functions as may be required under the relevant provisions of the Securities and Exchange Board of India (Listing Regulations and Disclosure Requirements) Regulations, 2015, any other applicable laws and various circulars issued by the regulatory authorities thereof, as amended from time to time.

6.3 During the financial year under review two meetings were held i.e., on September 22, 2022 and March 14, 2023 respectively.

6.4 The details of attendance by members of the RMC are as below:

Name of the Director	September 22, 2022	March 14, 2023
Mr. Mahendra Kumar Sharma (Chairperson)	✓	✓
Mr. V K Viswanathan	✓	✓
Ms. Hina Nagarajan	✓	✓
Mr. Pradeep Jain	✓	✓
Mr. Randall Ingber*	✓	NA
Ms. Mamta Sundara**	NA	✓

*Ceased to be a member from end of the day January 31, 2023, due to resignation.

**Ms. Mamta Sundara appointed as a member with effect from February 1, 2023.

NA- Not Applicable

7. Corporate Social Responsibility and Environment, Social and Governance Committee

7.1 During the year under review, the Corporate Social Responsibility and Environment, Social and Governance Committee (CSR & ESG) is as under:

Dr. (Mrs.) Indu Shahani (Chairperson)	Independent Director
Mr. D Sivanandhan	Independent Director
Ms. Hina Nagarajan	Managing Director and Chief Executive Officer
Mr. Mark Dominic Sandys	Non-Executive Director

7.2 During the financial year under review, four meetings were held i.e., on May 26, 2022, July 25, 2022, October 20, 2022 and, January 23 2023. The details of attendance by members of the CSR & ESG Committee are as below:

Name of Director	1	2	3	4
	May 26, 2022	July 25, 2022	October 20, 2022	January 23, 2023
Dr. (Mrs.) Indu Shahani (Chairperson)	✓	✓	✓	✓
Mr. D Sivanandhan	✓	✓	✓	✓
Ms. Hina Nagarajan	✓	LOA*	LOA*	✓
Mr. Mark Dominic Sandys	✓	✓	✓	✓

LOA* Leave of Absence

7.3 The CSR Report of the Company for the year ended March 31, 2023 has been approved by the Board and provided in **Annexure – 6** as part of the Board's Report. The copy of your Company's CSR policy is available on the Company's website at https://media.diageo.com/diageo-corporate-media/media/xu4kqzob/corporate-social-responsibility-policy_01april2021.pdf

8. Remuneration of Directors

The details of remuneration paid to the directors during the financial year April 1, 2022 to March 31, 2023 are given below:

Corporate Governance Report (Continued)

A. Executive Directors

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

(Amount in ₹)

Sl. No.	Particulars of Remuneration		Hina Nagarajan, Managing Director and Chief Executive Officer	Pradeep Jain, Chief Financial Officer and Executive Director (w.e.f. February 1, 2023)*
1	Gross Salary			
	(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act,1961	9,87,37,643	34,00,553
2	(b)	Value of perquisites u/s 17(2) of the Income Taxt Act, 1961	34,21,950	3,22,053
	(c)	Profits in lieu of salary under section 17(3) of the Income Taxt Act, 1961		
3	Stock Options/other stock (Diageo options) related compensation		1,68,83,632	
4	Sweat Equity			
5	Commission – as % of			
	Profit Others – Specify			
6	Others			
	Total		**11,90,43,225**	**37,22,606**

Notes:

i) *Mr. Pradeep Jain, Chief Financial Officer (CFO) was appointed as an Executive director with effect from February 1, 2023 designated as Executive Director and Chief Financial Officer. Hence, the above salary is on pro-rata basis for 2 months.

ii) The gross remuneration shown above does not include employer's contribution to various retirement funds and premium paid for life insurance and health insurance.

iii) Services of Ms. Hina Nagarajan may be terminated by her, giving six months' notice and can be terminated by the Company with twelve months' notice (or salary in lieu of such notice). Services of Mr. Pradeep Jain may be terminated by him, giving six months' notice, and can be terminated by the Company with six months' notice (or salary in lieu of such notice). There is no separate provision for payment of severance pay.

iv) Ms. Hina Nagarajan and Mr. Pradeep Jain are entitled to the Long-Term Incentives (LTI's) which include Stock appreciation Rights (SARs) as per the Company's plan and also other LTI's of Diageo PLC. The actual value of the SAR's and other LTI's will depend on the respective share price on the vesting date.

B. Independent Directors

i. Sitting Fees have been paid to Independent Directors for attending Board / Committee Meetings as specified in the table below for financial year 2022-23. They are also entitled to reimbursement of actual travel expenses, boarding and lodging, conveyance and incidental expenses incurred for attending such meetings in accordance with the Board approved policies for such reimbursements. Other than the sitting fees, reimbursement of expenses and as commission as explained below, no other remuneration was paid. No securities / convertible instruments were issued or allotted to any of the non-executive directors during the financial year 2022-23.

ii. Independent Directors are also eligible for commission as approved by the Board of Directors every year within the limit of one percent of the net profits of the Company or in case of inadequate profits the commission in aggregate does not exceed ₹4,00,00,000 as approved by the members of the Company at the 23rd Annual General Meeting held on August 09, 2022. Such commission is determined based on the recommendation of the Nomination and Remuneration Committee and as approved by the Board of Directors. The details of commission are specified in the table below for financial year 2022-23.

Corporate Governance Report (Continued)

iii. Presently, the Company is not paying any remuneration to non-executive directors other than the Independent Directors.

iv. Details of sitting fees paid and commission to the Independent Directors approved by the Board of Directors for the financial year 2022-23 is given below:

(Amount in ₹)

Name of the Independent Director	Sitting fees	Commission	Total Remuneration
Mr. Mahendra Kumar Sharma	7,75,000	47,00,000	54,75,000
Mr. V K Viswanathan	8,75,000	39,00,000	47,75,000
Mr. D Sivanandhan	8,00,000	39,00,000	47,00,000
Mr. Rajeev Gupta	5,25,000	35,00,000	40,25,000
Dr. (Mrs.) Indu Shahani	8,00,000	40,00,000	48,00,000
Total	**37,75,000**	**2,00,00,000**	**2,37,75,000**

C. Particulars of equity shares of the Company currently held by Directors:

As on the date of this Report, Mr. D Sivanandhan, Independent Director holds 332 equity shares of the Company. No other director holds equity shares of the Company.

9. General body meetings:

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

Financial year ended	Date	Time	Venue
March 31, 2022	August 9, 2022	3.30 p.m.	Through Video Conferencing/Other Audio Visual Means
March 31, 2021	August 26, 2021	3.30 p.m.	Through Video Conferencing/Other Audio Visual Means
March 31, 2020	August 26, 2020	3.30 p.m.	Through Video Conferencing/Other Audio Visual Means

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

AGM held on	Subject matter of the Special Resolution
August 9, 2022	(i) Payment of Commission to Independent Directors and Non- Executive Directors. (ii) Approval under Section 180(1)(a) of the Companies Act, 2013 for: (i) slump sale of the entire business undertaking associated with 32 brands of the Company in the 'Popular' segment to Inbrew Beverages Private Limited ("Inbrew"); and (ii) grant of franchise in relation to 11 other brands of the Company in the 'Popular' segment to Inbrew for a period of five years, with an option for Inbrew, subject to certain specified conditions, (a) to convert the fixed term franchise arrangement into a franchise arrangement with perpetual right to use, and / or (b) to acquire such brands
August 26, 2021	(i) Appointment of Ms. Hina Nagarajan as a Managing Director and Chief Executive Officer of the Company for a period of five years and approval of remuneration payable to her for three years. (ii) Appointment of Mr. Vegulaparanan Kasi Viswanathan as an Independent Director of the Company for the second term. (iii) Continuation of Mr. Mahendra Kumar Sharma as a Director of the Company on completion of 75 years of age. (iv) Payment of Commission to Independent Directors and Non-Executive Directors.
August 26, 2020	No Special Resolution was passed.

Corporate Governance Report (Continued)

All the special resolutions set out in the Notices of AGM in respect of the above subject matter were passed by the shareholders with requisite majority.

9.3 Postal ballot & Extraordinary General Meeting (EGM)

The Company has not passed any resolution at the above AGMs held where it was required to pass resolution through Postal Ballot as per the provisions of the Act and the rules framed thereunder. No EGM was conducted during the financial year. The Company had appointed Mr. Sudhir V Hulyalkar, Company Secretary in Practice (CP - 6137) to act as the Scrutinizer, for conducting the Postal Ballot process, in a fair and transparent manner.

(i) The Company has passed following resolution through Postal Ballot during the financial year:

Sr. No.	Type of Resolution	Subject Matter	Date of passing resolution
1.	Ordinary	Appointment of Mr. Mark Dominic Sandys (DIN:09543864) as Non- Executive Director.	June 16, 2022

The cut-off date was May 13, 2022. The remote e-voting started on May 18, 2022 at 10.00 a.m. (IST) and ended on June 16, 2022 at 5.00 p.m. (IST). Mr. Sudhir V Hulyalkar submitted scrutinizer report on June 17, 2022 and the results were declared on June 17, 2022. The resolution was passed with requisite majority.

(ii) For the financial year ended on March 31, 2023, approval of the members was sought for following resolutions:

Sr. No.	Type of Resolution	Subject Matter	Date of passing resolution
1.	Ordinary	Appointment of Ms. Mamta Sundara (DIN:05356182) as a Director (Non-Executive, Non-Independent) of the Company.	April 20, 2023
2.	Ordinary	Appointment of Mr. Pradeep Jain (DIN:02110401) as a Director.	April 20, 2023
3.	Special	Appointment of Mr. Pradeep Jain (DIN:02110401) as a Whole-time Director designated as "Executive Director and Chief Financial Officer" of the Company.	April 20, 2023

The cut-off date was March 17, 2023. The remote e-voting started on March 22, 2023 at 9.00 a.m. (IST) and ended on April 20, 2023 at 5.00 p.m. (IST). Mr. Sudhir V Hulyalkar submitted scrutinizer report on April 21, 2023 and the results were declared on April 21, 2023. The resolutions were passed with requisite majority. The voting details of special resolution passed is as follows:

Votes in favor			Votes against			Invalid votes
No. of Members	No of Shares	%	No. of Members	No. of Shares	%	No of Shares
1,153	58,40,37,540	98.83	111	69,11,984	1.17	7,51,103

Procedure for postal ballot: The postal ballot was carried out as per the provisions of Sections 108 and 110 and other applicable provisions of the Act, read with the Rules framed thereunder and read with the General Circular nos. 14/2020, 17/2020, 22/2020, 33/2020, 39/2020, 10/2021, 20/2021, 3/2022 and 11/2022 dated April 8, 2020, April 13, 2020, June 15, 2020, September 28, 2020, December 31, 2020, June 23, 2021, December 8, 2021, May 5, 2022 and December 28, 2022 respectively issued by the Ministry of Corporate Affairs.

Corporate Governance Report (Continued)

10. Means of Communication:

a. The quarterly results are sent to all the stock exchanges where the shares of the Company are listed. The results are normally published in "Business Standard" (English Daily) and "Prajavani" (Kannada Daily). The results are displayed on the Company's website at https://www.diageoindia.com/en/investors/financials/results-reports-and-presentations. Press Releases which were issued are also displayed on the Company's website. In addition, presentations made to analysts or investors are also made available on the Company's website.

b. The required disclosures as per the applicable laws including financial results were also sent to the Stock Exchanges.

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

11. General Shareholder Information:

A)	Corporate Identification Number	L01551KA1999PLC024991
B)	AGM Date, Time and Venue	July 31, 2023 at 3.30 p.m. through video conference
C)	Financial year	April 1 to March 31
	Tentative Board Meeting calendar:	
	First Quarterly Results	July 20, 2023
	Second Quarterly Results	November 8, 2023
	Third Quarterly Results	January 23, 2024
	Audited yearly Financial Results	May 24, 2024
		In addition, Board may also meet on other dates for transacting other urgent business or due to any specific requirements.
D)	Cut-off date of E-Voting purpose	July 24, 2023
E)	Dividend payment date	NA
F)	Listing on Stock Exchanges	The shares of the Company are listed on the following Stock Exchanges: (i) BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 (ii) National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. The applicable listing fees has been paid to the Stock Exchanges before the due date.
G)	Stock Code	
	BSE	532432
	NSE	SYMBOL - MCDOWELL-N
H)	ISIN No.	INE854D01024
I)	Market price data	As per Annexure A
J)	Stock performance in comparison to BSE Sensex and NSE Nifty	As per Annexure B

Corporate Governance Report (Continued)

K)	Registrars and Transfer Agents (RTA)	Integrated Registry Management Services Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru – 560 003, Tel. Nos. (080) 2346 0815 to 818, Fax No. (080) 23460819				
L)	Share Transfer System	The power to approve transmission/transposition/consolidation/sub-division, etc., is delegated to Stakeholders Relationship and General Committee of Directors. The requirements under the Listing Regulations, and other statutory regulations in this regard are being followed. Company's RTA also keeps records of such transfer/ transmission of shares. Simplified Norms for processing Investor Service Request SEBI, vide its Circular dated 3rd November 2021, has made it mandatory for holders of physical securities to furnish PAN, KYC and Nomination/Opt-out of Nomination details to avail any investor service. Folios wherein any one of the above-mentioned details are not registered by 1st October 2023 shall be frozen. Members who have not updated these details are urged to furnish their PAN, KYC and Nomination/ Opt out of Nomination by submitting duly filled prescribed forms by sending email from their registered email id to bglsta@integratedindia.in and by sending a physical copy of the prescribed forms duly filled and signed by the registered holders to M/s. Integrated Registry Management Services Private Ltd. at 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru – 560 003. The prescribed forms can be downloaded from the Company's website https://www.diageoindia.com/en/investors/shareholder-centre/downloads				
M)	Distribution of Shareholding	As per Annexure C				
N)	Dematerialisation of shares (as on March 31, 2023)	Particulars	No. of holders	Shares	% of shares	
		Physical	6,466	34,79,840	0.48%	
		NSDL	1,07,439	66,98,28,755	92.09%	
		CDSL	1,55,090	5,40,42,258	07.43%	
		TOTAL	**2,68,995**	**72,73,50,853**	**100%**	
O)	Outstanding GDRs/ADRs/Warrants or any other Convertible Instruments	NIL				
P)	Commodity price risk or foreign exchange risk and hedging activities:	During the year under review, no hedging activities on any commodity were carried out by the Company. Therefore, there is no disclosure to offer in terms of SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2018/0000000141 dated November 15, 2018.				

Corporate Governance Report (Continued)

Q)	Plant locations – owned manufacturing units (operational)	1. Alwar (Rajasthan) 2. Asansol (West Bengal) 3. Aurangabad (Maharashtra) 4. Baramati (Maharashtra) 5. Nashik (Maharashtra) 6. Gopalpur-On-Sea (Orissa) 7. Nimapara (Orissa) 8. Hyderabad I (Nacharam, Telangana) 9. Hyderabad II (Malkajgiri, Telangana) 10. Kumbalgodu (Karnataka) 11. Ponda (Goa) 12. Nanded (Maharashtra) (erstwhile Pioneer Distilleries Limited Unit)
R)	Address for correspondence	Shareholder correspondence should be addressed to the Company's Registrars and Transfer agents: Integrated Registry Management Services Private Ltd. 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bengaluru – 560 003. Tel. Nos. (080) 2346 0815 to 818, Fax No. (080) 2346 0819, Email: bglsta@integratedindia.in Investors may also write to investor.india@diageo.com or contact Company Secretary or Senior Manager– Secretarial at the Registered Office of the Company at UB Tower, #24, Vittal Mallya Road, Bengaluru – 560 001 Tel. Nos. +91 8022210705, Fax No. (080) 3985 6862
S)	Credit Ratings	During the year, CRISIL Ratings has re-affirmed the rating on the long-term bank facilities at "AAA/Stable" and withdrawn the short-term rating at "A1+".
T)	Email for investor grievances	In compliance with the provisions of Regulation 46(2)(j) of the Listing Regulations, an exclusive email address, Investor.India@diageo.com has been designated for registering Investor complaints, which is also on the Company's website at www. diageoindia.com

Corporate Governance Report (Continued)

12. Disclosures:

12.1 There are no material significant related party transactions entered into by the Company with promoters, directors, subsidiaries, key managerial personnel, relatives or other designated persons which may have a conflict of interest with the Company at large.

12.2 There have been no instances of rejection by the Board for any recommendations by the Board Committees during this financial year.

12.3 For the past three financial years viz., from April 01, 2020 to March 31, 2023, the Company has complied with the statutory requirements comprised in the Listing Regulations/ Guidelines/Rules of the Stock Exchanges/SEBI/ other statutory authorities and there have been no other instances of material non-compliance by the Company during such financial year nor have any penalties, strictures been imposed by Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets. Please refer to Secretarial Audit Report and Secretarial Compliance Report in **Annexure-3 and 3A**.

12.4 Code of conduct

The Code of Conduct reflects the Company's commitment to principles of integrity, transparency and fairness. The Code is a key guiding document governing the compliance and ethics framework of the Company. It is intended to embody the Company's purpose and values, which sets out the Company's collective as well as individual commitment to conduct business in accordance with those principles, and with all relevant laws, regulations and industry standards. We hold ourselves to the principles of Code of Business Conduct (our Code), Standards and Policies, which are embedded through a comprehensive trainings and education program for all employees. Our Code enables our employees to make the right choices and demonstrate the highest standards of integrity and ethical behavior. Our Code has also been extended to suppliers, contractors and its subsidiaries.

Know Your Business Partner (KYBP) process covers all Customers and Business partners as part of onboarding process.

In addition to our Code, the compliance programs are also anchored by policies and procedures, prescribed as per the global standards, covering areas such as Antibribery and Corruption (including guidelines on gifting & entertainment), Information Management & Security, Data Privacy & Personal Information, Health Safety & Personal Security, Prevention of Sexual Harassment at Workplace, Dignity at Workplace and Employee Alcohol policy as part of our commitment to responsible drinking. Regular updates are also provided to the senior leadership team on various aspects of the compliance programs, to set the tone from the top and exhibit the management's commitment towards continuous improvement in integrating compliance with the business.

Our Code is available at https://www.diageoindia.com/en/about-us/corporate-governance Our standard code for suppliers "Partnering with Suppliers (PwS)" has been extended to suppliers and contractors of the Company which is available at https://media.diageo.com/diageo-corporate-media/media/nwgid5pu/diageo-india_a4_code_of_conduct_2023-1.pdf

All new joiners are required to undertake training on the requirements of our Code within 30 days of joining the employment. Further, all employees are required to complete mandatory e-Learning training module on our Code as part of the annual compliance certification program every year. In addition, during the year virtual trainings on our Code including prevention of sexual harassment at workplace, has also been imparted to all employees including off role employees and all workers (including contractual), in their local languages. The workers have also been empowered by building their capability for training the executives on key policies in the local languages.

The Company has adopted a Whistle Blower mechanism known as SpeakUp. The compliance complaint can be raised by the employees and anyone acting on behalf of the Company. The Breach management standard is in place to address the compliance complaints, which are perceived to be in violation of our Code. Further, there is an oversight & review of the investigations by Global Business Integrity team, the Compliance Committee and the Grievance Committee. No personnel have been denied access to Audit Committee.

In compliance with Listing Regulations, the Company has adopted a Code of Business Conduct and Ethics (Code) for its Board members and Senior Management Personnel, a copy of which is available on the Company's website at https://www.diageoindia.com/en/about-us/corporate-governance. All Board members and senior management personnel have affirmed compliance with the code for the year ended March 31, 2023 and a declaration to this effect signed by the MD & CEO forms part of this report.

Corporate Governance Report (Continued)

12.5 Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:

The Company has complied with all the mandatory requirements of the Listing Regulations relating to Corporate Governance.

12.6 Policy on material subsidiaries

The Company's policy for determining material subsidiaries is available at the Company's website at https://media.diageo.com/diageo-corporate-media/media/ob0hqrxd/policy-on-material-subsidiary.pdf

Policy on Related Party Transactions

In compliance with Regulation 23, the Company has framed policy on Related Party Transactions and the same is uploaded on our website at https://media.diageo.com/diageo-corporate-media/media/dadl5npn/rpt-policy_april-2022.pdf

12.7 Disclosure on utilization of proceeds of preferential issue and qualified institutional placement (QIP)

There were no funds raised through preferential allotment or qualified institutional placement as specified under Regulation 32 (7A) during the financial year.

12.8 Declaration from the Directors

All the Directors have submitted a declaration that they are not disqualified under sub-section (2) of section 164 of the Companies Act, 2013. Mr. Sudhir V Hulyalkar, a Practicing Company Secretary, has submitted a certificate to the effect that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as a director by the SEBI/Ministry of Corporate Affairs. Copy of the Certificate and Declaration by the Chief Executive Officer pursuant to Listing Regulations, 2015 on compliance with the code of conduct by the Board of Directors and senior management is enclosed as part of corporate governance report.

12.9 Remuneration to Auditors

Remuneration paid to the statutory auditors and their network of firms/entities in India during the year by the Company and its subsidiaries are as follows:

By United Spirits Limited – ₹61 million

By the subsidiaries of United Spirits Limited – ₹3 million

Further details on fees to statutory auditors are disclosed in the standalone and consolidated financial statements.

12.10 Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is committed to providing and promoting a safe and healthy work environment for all its employees.

The disclosure in relation to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is mentioned in point 27 of the Board's Report.

12.11 Other corporate governance requirements

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

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

Regulation 27 of the Listing Regulations with respect to Quarterly Compliance report has been complied with.

Regulation 46(2) of the Listing Regulations pertaining to disseminating information on website has been complied with by your Company.

Requirements stipulated under Regulation 17 to 27 read with Schedule V of the Listing Regulations has been complied with by your Company.

Other requirements of Corporate Governance as per the Listing Regulations are disclosed on the Company's website at https://www.diageoindia.com/investors/ and as applicable have been disclosed elsewhere in this report and Annexures.

13. Depository system

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on March 31, 2023, equity shares representing 99.52% of the equity share capital are in dematerialized form. Shares held in the demateralised mode have more liquidity than those held in the physical mode. The transfer of shares of the Company by physical means has been barred from April 01, 2019 pursuant to SEBI's Notification dated December 03, 2018. Therefore, the Company urges shareholders who are holding shares in the physical form to convert their shareholdings to the demat mode. Shareholders who have not registered their email IDs are requested to do so for receiving communications from the Company. Shareholders who are holding shares in physical form can update their email

Corporate Governance Report (Continued)

ID by submitting ISR-1 form to the RTA. The form is available on the Company's website https://www.diageoindia.com/en/investors/shareholder-centre/downloads

Shareholders who are holding shares in demat form can update their email ID by contacting their Depository Participant only. Pursuant to Part F of Schedule V of the Listing Regulations, the following unclaimed shares were transferred to the demat account titled United Spirits Limited Unclaimed Suspense Account after the Company's Registrars & Transfer Agents sent three reminders to all the shareholders whose shares remained unclaimed. During the year, your Company has released shares from the said suspense account upon receipt of requests from the shareholders and after checking veracity of such shareholder's claims. Shares on which dividend has not been claimed for a continuous period of seven years have been transferred to Investor Education Protection Fund (IEPF) as per applicable rules. The details of such release of shares are given below:

Particulars	No. of Shareholders	No. of equity shares held
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on April 01, 2022	2,974	16,25,845
Shares added to the Unclaimed Suspense account during this year (PDL merger)	90	44,149
Total Shares	3,064	16,69,994
Number of shareholders who approached the Company for transfer of shares from Unclaimed Suspense Account during the year	49	24,445
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	49	24,445
Number of Shareholders and shares transferred to IEPF during the year	Nil	Nil
Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense Account lying as on March 31, 2023	3,018	16,45,569

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

14. Discretionary Requirements

Pursuant to Regulation 27(1) and Part E of Schedule II of Listing Regulations, your Company also complied with the following optional requirement:

Board

Non-Executive Chairman is entitled to reimbursement of expenses incurred in performing his duties as Chairman.

Audit qualifications

The Statutory Auditor has issued an unmodified audit report for the year ended March 31, 2023.

Reporting of internal Auditor

The internal auditor reports directly to the Audit Committee.

Corporate Governance Report (Continued)

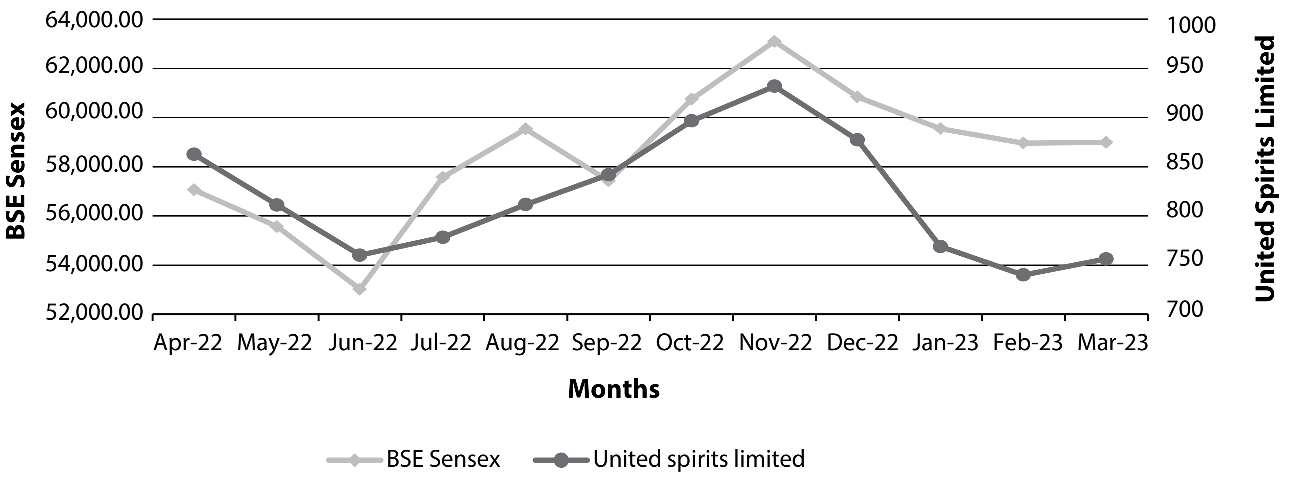
ANNEXURE A: MARKET PRICE DATA

United Spirits Limited - Market Data BSE						United Spirits Limited - Market Data NSE					
Month	Open	High	Low	Close	Volume	Month	Open	High	Low	Close	Volume
Apr-22	891.00	943.00	841.55	862.60	79,06,97,315	Apr-22	889.00	944.00	840.45	862.85	2,18,85,632
May-22	861.80	861.80	729.00	811.10	98,30,10,160	May-22	857.50	858.90	728.80	809.40	2,86,84,296
Jun-22	811.10	850.00	712.30	760.10	49,25,33,311	Jun-22	812.70	831.80	712.00	759.75	2,45,66,970
Jul-22	767.90	869.90	754.00	778.35	1,06,31,89,862	Jul-22	760.50	870.00	754.05	779.00	2,88,91,371
Aug-22	788.70	833.65	761.30	811.55	1,31,05,91,460	Aug-22	782.00	833.50	760.85	811.85	4,22,52,420
Sep-22	811.10	892.90	798.65	841.85	1,62,10,66,216	Sep-22	812.75	892.45	798.30	842.30	5,06,42,697
Oct-22	838.95	899.35	802.40	896.55	1,64,68,51,750	Oct-22	830.00	899.00	802.00	896.35	2,83,36,213
Nov-22	897.55	934.85	861.25	931.85	79,18,81,924	Nov-22	900.00	934.85	861.25	932.30	2,68,81,716
Dec-22	938.00	951.95	860.05	877.25	98,18,82,475	Dec-22	937.00	951.80	864.45	877.55	2,03,24,175
Jan-23	876.95	880.90	738.65	768.85	1,15,75,11,168	Jan-23	875.00	882.20	738.80	768.65	2,48,80,161
Feb-23	775.00	794.55	730.90	740.00	32,22,16,413	Feb-23	776.00	796.40	730.55	740.60	1,75,66,011
Mar-23	737.70	787.95	734.15	756.35	37,24,74,846	Mar-23	741.00	787.45	734.05	756.3	2,06,17,427

Source: websites of respective stock exchanges

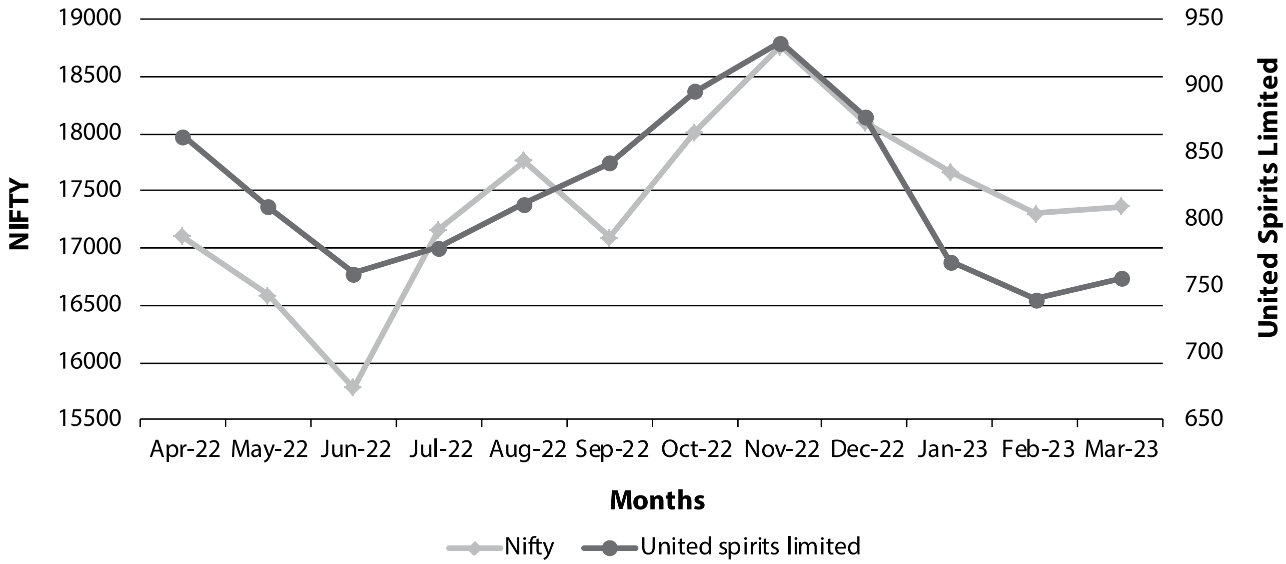
Note: High and low are in rupees per traded share

ANNEXURE B:
UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX DURING THE FINANCIAL YEAR 2022-23



Corporate Governance Report (Continued)

USL CLOSE PRICE VS NSE NIFTY CLOSE PRICE DURING THE FINANCIAL YEAR 2022-23



ANNEXURE C: DISTRIBUTION OF HOLDINGS (AS ON MARCH 31, 2023) Value-wise

Value-wise				
Shareholding of nominal value	Shareholders		Share amount	
₹	Number	% to total	₹	% to total
Upto - 5,000	2,65,461	98.69	6,57,65,884	4.52
5,001 - 10,000	1,616	0.60	1,18,26,702	0.81
10,001 - 20,000	705	0.26	1,02,40,578	0.70
20,001 - 30,000	243	0.09	60,52,148	0.42
30,001 - 40,000	141	0.05	5,03,04,64	0.35
40,001 - 50,000	101	0.04	45,60,614	0.31
50,001 - 1,00,000	205	0.08	1,44,26,962	0.99
100,001 and above	523	0.19	1,33,67,98,354	91.90
Total	**2,68,995**	**100**	**1,45,47,01,706**	**100**

Corporate Governance Report (Continued)

Snapshot of shareholding as on March 31, 2023 Category-wise		
Category	**No. of Shares**	**% of equity Capital**
Promoter	41,22,35,040	56.68
Resident Body corporates (including Clearing Members)	2,09,83,984	2.89
Banks/FIS/FII/MF/Trust* / Central /State Government & Insurance Companies	21,63,49,098*	29.74
NRI/OCB/FCB/FOREIGN NATIONALS	38,61,408	0.53
Venture Capital	57,51,629	0.79
Resident Individuals	6,81,69,694	9.37
Total	**727,350,853**	**100.00**

*This include 1,72,95,450 shares (2.38% of equity share capital) held on behalf of USL Benefit Trust, the sole beneficiary of which is United Spirits Limited.

Corporate Governance Report (Continued)

SHARE CAPITAL HISTORY (SINCE 1999)

Mar 31, 1999	■ Company Incorporated ■ Shares on Incorporation - 60 Nos.	
Jul 09, 2001	■ Merger with McDowell & Co. Limited ■ Ratio 1:1	■ Issued 5,17,19,968 Shares ■ Pre Issue - 60 Nos : Post Issue - 5,17,20,028 Nos.
Mar 29, 2006	■ GDR Issue ■ Issued 87,51,381 Shares	■ Pre Issue - 5,17,20,028 Nos; Post Issue - 6,04,71,409 Nos
Nov 06, 2006	■ BGIL* merged with McDowell and Company Limited (Ratio 20:31) ■ (*BGIL – Baramati Grape Industries Limited)	■ Issued 3,37,780 Shares ■ PrPre Issue - 6,04,71,409 Nos; Post Issue - 6,08,09,189 Nos
Nov 06, 2006	■ SWDL* merged with McDowell and Company Limited (Ratio 20:7) (*SWDL – Shaw Wallace Distilleries Limited)	■ Issued 2,81,12,971 Shares ■ Pre Issue - 6,08,09,189 Nos; Post Issue - 8,89,22,160 Nos
Nov 06, 2006	■ Herberson Limited merged with McDowell and Company Limited ■ Ratio 3:2	■ Issued 31,17,209 Shares ■ Pre Issue - 8,89,22,160 Nos; Post Issue - 9,20,39,369 Nos.
Nov 06, 2006	■ TDVL* merged with McDowell and Company Limited (Ratio 4:83) (*TDVL – Triumph Distilleries & Vintners Limited)	■ Issued 20,75,000 Shares ■ Pre Issue - 9,20,39,369 Nos; Post Issue - 9,41,14,369 Nos.
Nov 06, 2006	■ UDIL* merged with McDowell and Company Limited (Ratio 100:3) (*UDIL – United Distillers India Limited)	■ Issued 3,60,000 Shares ■ Pre Issue - 9,41,14,369 Nos; Post Issue - 9,44,74,369 Nos.
Nov 06, 2006	■ Fractional Shares upon merger ■ Issued 7,561 Shares	■ Pre Issue - 9,44,74,369 Nos; Post Issue - 9,44,81,930 Nos
Jul 07 to May 08	■ FCCB Conversion and Allotment ■ Issued 56,81,326 Shares	■ Pre Issue - 9,44,81,930 Nos; Post Issue - 10,01,63,256 Nos.
Jul 24, 2009	■ SWCL* merged with United Spirits Limited (Ratio 17:4) (*SWCL - Shaw Wallace & Company Limited)	■ Issued 77,49,121 Shares ■ Pre Issue - 10,01,63,256 Nos; Post Issue - 10,79,12,377 Nos.
Oct 23, 2009	■ QIP Placement ■ Issued 1,76,81,952 Shares	■ Pre Issue - 10,79,12,377 Nos; Post Issue - 12,55,94,329 Nos.
Jan 14, 2011	■ BDL* merged with United Spirits Limited (Ratio 55:2) (*BDL – Balaji Distilleries Limited)	■ Issued 55,00,639 Shares ■ Pre Issue - 12,55,94,329 Nos; Post Issue - 13,07,94,968 Nos.
May 27, 2013	■ Preferential issue to Diageo Relay B V (wholly owned subsidiary of Diageo Plc) ■ Issued 1,45,32,775 Shares	■ Pre Issue - 13,07,94,968 Nos; Post Issue - 14,53,27,743 Nos.
Jul 03, 2018	■ Shares Split ■ Ratio 1:5	■ Pre Issue - 14,53,27,743 Nos; Post Issue - 72,66,38,715 Nos.
Jan 13, 2023	■ Pioneer Distilleries Ltd merged with United Spirits Ltd. ■ Ratio 47:10	■ Pre issue: 726,638,715 Nos; Post issue: 727,350,853 Nos.

By Order of the Board
Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place: Mumbai
Date : May 18, 2023

Corporate Governance Report (Continued)

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
United Spirits Limited, Bengaluru

I have examined the compliance of conditions of corporate governance, as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by United Spirits Limited (the Company) for the year ended on March 31, 2023.

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

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with all the applicable conditions of Corporate Governance as stipulated in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, however that the gap between two consecutive meetings of the Risk Management Committee was exceeded with a delay of 8 days.

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

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040, C.P.No. : 6137
Peer Review Certificate No. : 607/2019
UDIN: F006040E000332731

Place: Bengaluru
Date: May 18, 2023

CERTIFICATE ON DIRECTORS APPOINTMENT AND CONTINUATION ON THE BOARD OF DIRECTORS OF UNITED SPIRITS LIMITED (the Company)

(In terms of Regulation 34(3) read with Para C, Sub Para 10 (i) of the Schedule V to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015)

I have examined the relevant records of the Company and disclosures made by the directors of the Company, relevant information on disqualification and proclaimed offenders as declared by Courts and disseminated on the website of Ministry of Corporate affairs, the Orders and other information available on the website of Securities and Exchange Board of India and the stock exchanges, Reserve Bank of India and information on wilful defaulters as declared by the banks and made available on the web sites of credit information companies registered with the Reserve Bank of India and based on such examination, I hereby certify that none of the directors on the Board of UNITED SPIRITS LIMITED (CIN:L01551KA1999PLC024991)as on March 31, 2023 have been debarred or disqualified from being appointed or continuing as directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India and other statutory authorities.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040, C.P.No. : 6137
Peer Review Certificate No. 607/2019
UDIN: F006040E000332707

Place: Bengaluru
Date: May 18, 2023

Corporate Governance Report (Continued)

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirement of Regulation 26(3) read with Schedule V Para D of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, code of conduct of the Company has been displayed at the Company's website www.diageoindia.com. All the members of the Board and the senior management personnel had affirmed compliance with the code for the year ended March 31, 2023.

Place : Mumbai
Date: May 18, 2023

Hina Nagarajan
Managing Director and
Chief Executive Officer

CEO/CFO CERTIFICATE

To
The Board of Directors, United Spirits Limited

A. We have reviewed the standalone and consolidated financial statements for the year ended March 31, 2023 and that to the best of our knowledge and belief

   1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   2. these statements, together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

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

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

We have indicated to the Auditors and the Audit Committee:

1. Significant changes in internal control over financial reporting during the year;

2. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Pradeep Jain
Executive Director and
Chief Financial Officer

Place: Bengaluru
Date: May 18, 2023

Hina Nagarajan
Managing Director and
Chief Executive Officer

Place: Mumbai
Date: May 18, 2023

Business Responsibility Sustainability Report

Section A: General Information about the Company

I. Details of the listed entity

1.	Corporate Identity Number (CIN) of the Company	L01551KA1999PLC024991
2.	Name of the Listed Entity	UNITED SPIRITS LIMITED
3.	Year of incorporation	1999
4.	Registered office address:	UB TOWER', #24, Vittal Mallya Road, Bengaluru – 560 001
5.	Corporate address:	UB TOWER', #24, Vittal Mallya Road, Bengaluru – 560 001
6.	E-mail:	investor.india@diageo.com
7.	Telephone:	080-22210705
8.	Website:	www.diageoindia.com
9.	Financial year for which reporting is being done:	April 01, 2022 to March 31, 2023
10.	Name of the Stock Exchange(s) where shares are listed	National Stock Exchange of India Limited & BSE Limited
11.	Paid-up Capital	₹1,45,47,01,706
12.	Name and contact details (telephone, email address) of the person who may be contacted in case of any queries on the BRSR report	Jitendra Mahajan Chief Sustainability Officer Telephone: 080-22210705 Email: investor.india@diageo.com
13.	Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity) or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together).	The report is on a standalone basis for United Spirits Limited. The Report includes data for 14 USL owned plants, 19 offices & 11 warehouses and does not include 9 plants which were non-operational throughout the year. Financial Year 22-23, USL has divested certain popular brands and one plant to M/s Inbrew beverages Pvt Ltd which has been excluded and USL Rosa plant which was operational partially during financial year 23 is included. Including the operations of PDL which was merged with USL with effective from 1.04.2021.

Business Responsibility Sustainability Report (Continued)

II. Products/Services

14.	Details of business activities (accounting for 90% of the turnover):	The company is involved in the manufacture, sale, and distribution of alcoholic beverages. Manufacturing (Main Activity Group Code –C1)
15.	Products/Services sold by the entity (accounting for 90% of the entity's Turnover)	Alcoholic Beverages, Indian Made Foreign Liquor, Extra Neutral Alcohol

III. Operations

16. Number of locations where plants and/or operations/offices of the entity are situated:

Businesses and operations are spread across the country.

Location	No of plants/Operations	No of offices	No of Warehouses	Total
National	14	19	11	44
International	0			

Note: 1) Financial Year 22-23, USL has divested certain popular brands and one plant to M/s Inbrew beverages Pvt Ltd which has been excluded and USL Rosa plant which was operational partially during financial year 23 is included.

2) Further, data does not include 9 plants which were non-operational throughout the year and third party manufacturing plants.

17. a Markets served by the entity - No of locations

Location	Number
National (No of States)	24 states and 5 union territories
International (No of Countries)	26

17. b What is the contribution of exports as a percentage of the total turnover of the entity?

0.45%

17. c A brief on types of customers:

USL focuses on customers who are like an intermediary (such as a distributor, government corporations like Canteen Store's Department (CSD), wholesaler's and direct retailers).

IV. Employees

18. Details as at the end of the financial year:

a. Employees (including differently abled)

During financial year 2022-23, the Company employed 6,589 employees, out of which 1,222 were female employees.

Particulars	Total (A)	Male		Female	
		No(B)	%(B/A)	No(C)	%(C/A)
		Employees			
Permanent (D)	1,391	1,025	74%	366	26%
Other than Permanent (E)	411 *	174	42%	34	8%
Total Employees (D+E)	**1,802**	**1,199**	**67%**	**400**	**22%**
		Workers			
Permanent (F)	1,566	1,498	96%	68	4%
Other than Permanent (G)	3,221	2,467	77%	754	23%
Total Workers (F+G)	**4,787**	**3,965**	**83%**	**822**	**17%**

*203 other than permanent employees did not wish to disclose gender

Business Responsibility Sustainability Report (Continued)

Note: Definition of employee clustering is as under:

- Permanent Employees include Management, Non-Management
- Other than Permanent Employees include Service Provider Personnel (SPP), Fixed Term Contract (FTC)/(Management/ Non-Management)
- Permanent Workers include only USL Workers
- Other than Permanent Workers include Service Provider Personnel (worker), FTC (Worker)
- Trainees and Apprentices not included in the Workforce

b Differently abled Employees and workers

Particulars	Total (A)	Male		Female	
		No(B)	%(B/A)	No(C)	%(C/A)
Differently Abled Employees					
Permanent (D)	0	0	0	0	0
Other than Permanent (E)	0	0	0	0	0
Total Employees (D+E)	**0**	**0**	**0**	**0**	**0**
Differently Abled Workers					
Permanent (F)	0	0	0	0	0
Other than Permanent (G)	45	42	93%	3	7%
Total Workers (F+G)	**45**	**42**	**93%**	**3**	**7%**

19. Participation/Inclusion/Representation of women - BOD/KMP

Particulars	Total (A)	No. and % of Females	
		No(B)	%(B/A)
Board of Directors*	10	3	30%
Key Management Personnels	3	1	33%

*Board of Directors includes Key Managerial Personnel.

20. Turnover rate for permanent employees and workers - Past 3 years

Particulars	Financial Year 2022-23			Financial Year 2021-22			Financial Year 2020-21		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	14%	7%	21%	11%	7.5%	18%	14%	3.5%	18%
Permanent Workers	11.5%	4%	15.5%	9%	0.3%	9%	4%	0.1%	4%

Note: Financial Year 22-23, USL sold certain popular brands to Inbrew. As a part of this deal 63 Employees moved to a new organization who are shown as exited from USL.

Business Responsibility Sustainability Report (Continued)

V. Holding, Subsidiary and Associate Companies

21. Names of holding / subsidiary / associate companies / joint ventures

Name of the holding / Subsidiary / associate companies / joint ventures (A)	Link to Annual Report F'23 page no "33" Yes, the only operating subsidiary RCSPL has its own BRR initiatives which are not forming part of this BRSR report
Indicate whether holding/ Subsidiary/ Associate/ Joint Venture	
% of shares held by listed entity	
Does the entity indicated at column A, participate in the Business Responsibility initiatives of the listed entity? (Yes/No)	

VI. CSR Details

22.	(i)	Whether CSR is applicable as per section 135 of Companies Act, 2013	Yes
22.	(ii)	Turnover	₹2,75,775 million (Gross)
22.	(iii)	Net Worth	₹59,445 million

VII Transparency & Disclosures Compliances

23 Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:

Stakeholder Grp from Whom complained received	Grievance Redressal Mechanism in Place (Yes/No)	Financial Year 2022-23 (Current Financial Year)			Financial Year 2021-22 (Previous Financial Year)		
		Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at close of the year	Remarks
Investors (other than SH)	Not Applicable. USL is a listed entity and does not have any other investor type apart from Equity.						
Shareholders	The Company has empowered a Board-level Stakeholders Relationship and General Committee ("SRGC") to examine and redress complaints by shareholders. The status of complaints is reported to the Committee on quarterly basis. SRGC meets every quarter and reviews the shareholders grievances. For financial year 2022-23 (April 2022 till March 2023): 17 complaints were received and resolved. There was 01 unresolved complaint as on 31st March 2023, which was resolved and closed dated 10th April 2023. For financial year 2021-22: 10 complaints were received and resolved. There are no pending complaints.						
Employees and Workers Communities Value Chain Partners (Vendors, Distributors, Retailers, Suppliers, etc.)	For, Employees, workers, Communities, Value chain partners & Others - USL has a grievance management system called "SpeakUp" in place for employees, contractors, community members for raising their concerns. This system (telephone & website) is managed and operated by an independent agency "Navex". An individual is free to raise any concerns pertaining to USL without fear of retaliation. An individual raising a concern is free to disclose his/her details or remain anonymous. USL takes all concerns reported through Speakup seriously. All concerns reported are reviewed and investigated by trained investigators. Based on their investigative findings, further actions are initiated by the company.						

Business Responsibility Sustainability Report (Continued)

<table>
<tr><th rowspan="2">Stakeholder Grp from Whom complained received</th><th rowspan="2">Grievance Redressal Mechanism in Place (Yes/No)</th><th colspan="3">Financial Year 2022-23 (Current Financial Year)</th><th colspan="3">Financial Year 2021-22 (Previous Financial Year)</th></tr>
<tr><th>Number of complaints filed during the year</th><th>Number of complaints pending resolution at close of the year</th><th>Remarks</th><th>Number of complaints filed during the year</th><th>Number of complaints pending resolution at close of the year</th><th>Remarks</th></tr>
<tr><td>Employees and Workers Communities Value Chain Partners (Vendors, Distributors, Retailers, Suppliers, etc.)</td><td colspan="7">For financial year 2022-23 (April 2022 till March 2023): 36 concerns were received and investigated. There are 06 concerns that are being investigated as on 31^{st} March 2023 and the same will be closed within the timelines prescribed under (USL) Diageo's Breach Management Standards.

For financial year 2021-22: 58 concerns were received and investigated. There are no pending complaints.

<u>For Prevention of Sexual Harassment related complaints / grievances / Concerns –</u>

Diageo India (USL) is committed to creating and maintaining a safe and secure work environment, free from all forms of harassment, including sexual harassment; an environment that ensures the health, safety, and personal security of all individuals, where everyone feels valued, respected.

Diageo India's (USL) policy on Prevention of Sexual Harassment at the Workplace ("Policy") reinforces the endeavour of our Code of Business Conduct to promote and nurture a work culture in which all individuals are treated with respect and dignity. The policy is gender neutral and compliant with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Aggrieved individuals can raise complaints pertaining to sexual harassment at workplace through one of the below mediums –

• Through SpeakUp (Website, Call Centre)
• Through Email to Diageo (USL) Compliance
• Through Email to the Internal Committee (IC).

In financial year 2022-23 Diageo India (USL) received 02 cases pertaining to POSH out of which investigation is ongoing in 01 case.

In financial year 2021-22 Diageo India (USL) received 01 case pertaining to POSH which was investigated and closed.</td></tr>
<tr><td>Consumers</td><td colspan="7">USL mentions details of customer care on our packs / labels for consumers to register their complaints (if any). Consumers can raise their concerns by calling on our Toll-free No. 1800-425-2433 or email us at <u>CUSTOMERCARE@UNITEDSPIRITS.IN</u>.

The customer care (telephone) is managed independently by a third party and is operational all working days (except Public Holidays). We register all complaints on our SAP-CC (Customer Complaints) portal for further actionable / investigation as per process.

For financial year 2022-23 (April 2022 till March 2023): 197 concerns were received out of which 20 are currently under investigation.

For financial year 2021-22: 117 concerns were received. There are no pending complaints.</td></tr>
</table>

Business Responsibility Sustainability Report (Continued)

24. Overview of the entity's material responsible business conduct issues

To identify material issues on Environment and Social related to our business, we conducted materiality assessment which guided us to develop our Society 2030: Spirit of Progress plan to support sustainable growth over the critical decade until 2030. This assessment looked at the external trends shaping our operating environment and how we can most effectively align our work with the UN Sustainable Development Goals.

Material Issue identified	Indicate whether Risk/Opportunity (R/O)	Rationale for identifying the R/O	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
Responsible Consumption.	R	Impact on Consumer.	USL has initiated various programmes with an objective to promote responsible consumption amongst its consumers.	Negative
Inclusion & Diversity: •Including and empowering women, minorities, and under-represented groups.	O	Mainstream to include women and under-represented section of the society in growth & development.	USL under its ESG strategy i.e., Spirit of Progress: Society 2030 has committed to work towards inclusion and diversity both within the organization and outside the organisation, within the communities with 50% beneficiary of all community projects being women.	Positive
Climate Change.	R/O	Our business depends on natural raw materials and has impact on environment through consumption of water and emissions.	USL under its ESG strategy i.e., Spirit of Progress: Society 2030 has committed to work towards different areas to address climate change including enhancing renewable energy mix, reducing Carbon emissions and replenish more water than we use in our processes	Positive
Strengthening security of agri-food chains, protecting the natural ecosystems our business relies on.	R/O	Our business depends on natural raw materials.	USL has initiated work on regenerative agriculture with farmers in its value chain thereby working towards sustainable agricultural practices	Positive
Water & Wash.	R/O	Our business depends on natural raw materials such as water and to provide water, sanitation & hygiene to our communities.	USL is committed to improve its water use efficiency and to replenish more water than it consumes in its process. USL also makes provisions of drinking water facilities, construction of toilets, Improving drainage under Water Health & Sanitation (WASH)	Positive
Waste Management	R	To ensure efficient & effective management of any waste generated.	All USL plants are zero liquid discharge units (except 2 plants located in Hyderabad where effluent being sent to CETP for further treatment) and has efficient waste management systems in place for both hazordous and non hazordous waste. In addition, we are committed to recover & recycle 100% of our plastic waste generated every year under Extended Producer Responsibility (EPR)	Positive

Business Responsibility Sustainability Report (Continued)

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

Policy and management processes	P1	P2	P3	P4	P5	P6	P7	P8	P9
1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
b. Has the policy been approved by the Board? (Yes/No)	Y	Y	Y	Y	Y	Y	Y	Y	Y
c. Web Link of the Policies, if available	https://media.diageo.com/diageo-corporate-media/media/nwgid5pu/diageo-india_a4_code_of_conduct_2023-1.pdf								
2. Whether the entity has translated the policy into procedures. (Yes / No)	**Yes.** Every function within Diageo India (USL) has implemented the working of our policies. These are governed / monitored by the respective functional heads.								
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	**Yes.** Diageo India's (USL) documentation (Agreements, Contracts, Purchase Orders) with our value chain partners (for both supply and services) contain compliance clauses along with an annexure on "USL's Guidance Note to Business Associates". Value chain partners are required to comply with our Code of Conduct and the Guidance note prior to or on signing of the Agreement, understand the policies contained therein and agree to act in accordance with the standards and principles.								
4. Name of the national and international codes/ certifications/labels/ standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle	1. USL is aligned with Alliance for Water Stewardship Standard (AWS) and Alwar is our first distillery which is certified against AWS core standard. This site is Asia's first Spirits distillery to be certified. 2. As of now, 76% of business units are certified for (Food Safety System Certification) FSSC 22000 standards. 3. Two of our business units (Alwar and Baramati) were awarded International Safety award 2022 by British Safety Council (BSC) under Merit and Winner Category in March 2023 4. Two of other business units (Nimapara and Nashik) were awarded 5 Star Gold Award for HSE (Health and Safety Environment) and Sustainability 2022 by OHSSAI Foundation in February 2023 5. One of business unit (Nacharam – Hyderabad) won Bronze Award at CII- Southern Region EHS Excellence Award 2022 in March 2023.								
5. Specific commitments, goals and targets set by the entity with defined timelines, if any.	Society 2030: Spirit of Progress is our 10-year ESG action plan to help create a more inclusive and sustainable world, building on the legacy of our founders to create a positive impact on our company, within our communities and for society. To lead our business through the next decade, we have set ourselves 25 goals which align with the United Nations' Sustainable Development Goals.								

Business Responsibility Sustainability Report (Continued)

Policy and management processes	P1	P2	P3	P4	P5	P6	P7	P8	P9
6. Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met	USL's sustainability agenda includes reducing carbon emissions, sourcing raw materials sustainably, water stewardship, packaging sustainability, and promoting responsible drinking. The company aims to achieve net-zero emissions in direct operations by 2026, source 100% of its raw materials sustainably by 2030, and use 100% recyclable, compostable, or biodegradable packaging by 2030. USL also promotes responsible drinking and aims to replenish 100% of the water it uses in water-stressed areas by 2024. Our performance for financial year 2022-23 is as follows:								

Categories	Unit	Performance
Promote Positive Drinking (Act Smart India)	No of young people educated on the dangers of underage drinking	1,14,543
Positive Drinking (Wrong Side of the Road)	No. of Consumers educated on the dangers of drink driving	2,34,807
Positive Drinking (DrinkIQ)	No. of unique visits to DrinkIQ website	52,642
Learning for Life	No. of people trained in business & Hospitality skills	1,784
Water Replenishment	Cu.M.	We have created capacity to replenish 4,79,047 Cu.M of water and has initiated projects to create capacity to replenish additional 2,75,000 Cu.M. of water across our water stressed sites.
Water use Efficiency (Finished Product)	Litre of Water used / Litre of Product	1.12
Water use Efficiency (Distillation)	Litre of Water used / Litre of Spirit Distilled	14.01
Carbon Emission CO2e (Scope 1)	Mt	4,196
Renewable Energy (Before offsetting I-Rec)	%	94.4%
Renewable Energy (After offsetting I-Rec)	%	98.5%

Business Responsibility Sustainability Report (Continued)

7. **Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure)**

   Please refer to the Chairman' s message in the Annual report page "4"

8. **Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).**

   At the highest level, the Board of Directors of the Company, led by the Chairman & Managing Director, has the primary role of trusteeship to protect and enhance shareholder value through strategic supervision. As trustees, the Board ensures that the Company has clear goals aligned to shareholder value and its growth, and in line with its Sustainability agenda.

   The CSR and ESG Committee of the Board reviews and oversees implementation of the Sustainability Policies of the Company on an annual basis. In addition, the Committee and the Board also review the progress of implementation of the Company's CSR Programmes, on a quarterly basis against Society 2030 vision and targets.

9. **Does the entity have a specified Committee of the Board / Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details.**

   Yes, Corporate Social Responsibility and Environmental, Social and Governance Committee (CSR & ESG Committee) of the Board is responsible for decision making on sustainability related issues. The CSR and ESG Committee has various responsibilities, including reviewing, overseeing and monitoring the Company's CSR and ESG matters.

10 Details of Review of NGRBCs by the Company:	Indicate whether review was undertaken by Director / Committee of the Board / Any other Committee									Frequency (Annually / Half yearly / Quarterly / Any other – please specify)								
Subject for Review	**P1**	**P2**	**P3**	**P4**	**P5**	**P6**	**P7**	**P8**	**P9**	**P1**	**P2**	**P3**	**P4**	**P5**	**P6**	**P7**	**P8**	**P9**
Performance against above policies and follow up action	Diageo India's (USL) Code of Business Conduct covers all the principles laid down under NGRBC guidelines. The code of business conduct is refreshed biennially and approved by our Board prior to publication to all our employees. The latest Code of Business Conduct document was approved by the Board in January 2023. The performance is measured in the below ways– Annually, Diageo India (USL) conducts an Annual Compliance Certification for all its employees wherein employees need to certify that they have read and abide by the COBC. Yearly declarations are also taken from our Board members on the same. Any Code violation or deviation reported to the company are investigated and actioned on our breach management standards. The Board is briefed every quarter on any violations reported to the code or its aligned policies.									Annually								

Business Responsibility Sustainability Report (Continued)

Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances	The company monitors all its regulatory compliance requirements through Legatrix software. Certification on these regulatory compliances is generated on Legatrix, signed off by the functional heads and presented to the Board	Annually

	P1	P2	P3	P4	P5	P6	P7	P8	P9
11. Has the entity carried out independent assessment / evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency	A periodic review is performed by respective Policy owners and Control Assurance and Risk Excellence - CARE team (internal team).								

12. If answer to question (1) above is "No" i.e., not all Principles are covered by a policy, reasons to be stated:

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
The entity does not consider the principles material to its business (Yes/No)	Not Applicable								
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)									
The entity does not have the financial or/human and technical resources available for the task (Yes/No)									
It is planned to be done in the next financial year (Yes/No)									
Any other reason (please specify)									

Section C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

Principle 1: Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent, and Accountable.

Essential Indicators

1. Percentage coverage by training and awareness programs on any of the principles during the financial year:

Segment	Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	%age of persons in respective category by the awareness programmes
Board of Directors	USL conducts a familiarisation program for all Board members on key areas of the company to be attended by the Board. The attendance / number of hours of training completed by the board is regularly updated on the below link - https://media.diageo.com/diageo-corporate-media/media/fu0d0aao/directors-familiarisation-program-details_aug-2022.pdf		
Key Managerial Personnel	USL conducts annual policy awareness sessions on key policies for all its Employees. Training sessions cover the following policies - Anti Bribery and Corruption, Gifts & Entertainment, Data Privacy, Anti-trust & Competition, Conflict of Interest, Speakup, Employee Alcohol policy, Employee Health & Safety, External Communications, Human Rights & Dignity at Workplace and Information Management and Security.		

Business Responsibility Sustainability Report (Continued)

Segment	Total number of training and awareness programmes held	Topics/principles covered under the training and its impact	%age of persons in respective category by the awareness programmes
Employees other than BOD and KMPs	Each Policy owner conducts 02 training sessions on each of the above policies. Employees are expected to attend one out of 02 sessions. As a testing mechanism for gauging understanding of our policies amongst employees, Business Integrity team also conducts a Policy understanding test (PUT) post completion of policy refresher trainings. The test is applicable to employees who've joined the organisation prior to 31st August 2022. Employees of Diageo India (USL) are required to undertake the test and correctly answer 13 out of 15 questions. In F23 - the test was assigned to 1,347 eligible employees and 1,338 employees successfully passed PUT (99%).		
Workers	Associate Ambassador Network is an initiative by the Diageo India (USL) to spread policy awareness at grassroot levels. As part of this initiative, 01 employee from each owned manufacturing unit (13 employees from 13 units) is trained on one key policy each month (specifically applicable for manufacturing units). The policies include – Anti-Bribery and Corruption, Employee Health and Safety, Prevention of Sexual harassment at workplace, Quality, Employee Alcohol, Anti-Discrimination, Harassment and Bullying, Human Rights (including Dignity at workplace), Conflict of Interest and Speakup. The training material is prepared and translated into five local languages (Hindi, Marathi, Telugu, Kannada and Bengali) for ease of understanding at grassroot level. The ambassadors / employees are required to train 02 blue collared employees (associate ambassadors), in regional language who in turn train all blue collared employees at the unit. Both the ambassadors and the associate ambassadors play a vital role in dissemination of awareness on our policies both at a functional and unit level.		

2. **Details of fines / penalties / punishment / award / compounding fees / settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators / law enforcement agencies / judicial institutions, in the financial year in the following format.**

Monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In ₹)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty / Fine			0		
Settlement					
Compounding fee					

Non-Monetary					
	NGRBC Principle	Name of the regulatory/ enforcement agencies/ judicial institutions	Amount (In ₹)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Imprisonment			0		
Punishment					

3. **If the instances disclosed in Question 2 above, details of the Appeal / Revision preferred in cases where monetary or non-monetary action has been appealed.**

Case Details	Name of the regulatory / enforcement agencies / judicial institutions
N/A	

Business Responsibility Sustainability Report (Continued)

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

Yes. Our Code of Business Conduct is the key guiding document governing the compliance and ethics framework of the Company and its subsidiaries. Further, USL has a Global Countering Corruption Policy that encompasses Anti-Bribery & Corruption, Anti-Money Laundering, Anti-Facilitation of Tax Evasion and Sanctions, and includes guidelines on Gifts & Entertainment. The Anti Bribery & Corruption policy is based on 05 core principles to be followed by employees.

a. Principle on dealing with Government Officials and Politically Exposed Persons

b. Principle on dealing with Non-Government business partners

c. Principle on Corporate Hospitality, Gifts and Sponsorships

d. Trade Incentives

e. Charitable, Community and Political contributions

In addition to our Code and Policies, the compliance program at USL is also anchored by mandatory and exhaustive Know Your Business Partner (KYBP) process. All Business partners have to undergo KYBP as part of their onboarding process. The KYBP process, inter alia, assesses the Business Partners on various parameters including corruption & bribery, and categorizes the risk that USL is exposed to through such Business Partner. A detailed mitigation plan is then implemented with the Business Partner.

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery / corruption

Particulars	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021 - 22 (Previous Financial Year)
Directors	0	0
KMPs		
Employees / Workers		

6. Details of complaints with regard to conflict of interest

Particulars	Financial Year 2022 -23 (Current Financial Year)		Financial Year 2021 - 22 (Previous Financial Year)	
	Number	Remarks	Number	Remarks
Number of complaints received in relation to issues of Conflict of Interest of the Directors	0	0	0	0
Number of complaints received in relation to issues of Conflict of Interest of the KMPs	For **financial year 2022-23** - Diageo India (USL) received 01 case pertaining to Conflict of interest pertaining to KMP. The case was reported on Speakup and investigated by Diageo Global team. Based on investigative findings, the case was unsubstantiated. Diageo India (USL) has a grievance management mechanism in place which is laid out in the Global Breach management standard. All cases are investigated thoroughly by highly trained investigators. Based on the investigation findings, appropriate consequence management is put in place (if required). In case of substantiated cases, the investigation findings are presented to the Grievance Committee (GC) (comprising of Business Integrity Head, Chief Human Resource Officer, Vice President - Human Resources, Functional HR, Business Integrity Lead for breach management). The GC members discuss and deliberate the findings to arrive at a decision on action to be taken (on the implicated employee(s)) **For financial year 2021-22 –** 0			

Business Responsibility Sustainability Report (Continued)

7. **Provide details of any corrective action taken or underway on conflicts of interest.**

   None, as the case was unsubstantiated.

Leadership Indicators

1. **Awareness programmes conducted for value chain partners on any of the principles during the financial year**

Total number of awareness programmes held	Topics / principles covered under the training	%age of value chain partners covered (by value of business done with such partners) under the awareness programmes
Diageo India's (USL) documentation (Agreements, Contracts, Purchase Orders) with our value chain partners for supply and services, contain mandatory compliance clauses including a link to our Global "Partnering with Supplier Standards", and "Code of Business Conduct". These standards cover all the principles laid under National Guidelines on Responsible Business Conduct. During onboarding of new vendors and renewal of contract with existing vendor, they are required to go through the "Partnering with Suppliers Standard" and the "Code of Business Conduct", understand the policies contained therein and agree to act in accordance with the standards and principles, prior signing of their Agreements. Additionally, as part of Diageo India's (USL) Know your Business Partner (KYBP) program, we undertake compliance trainings for High / Medium risk business partners as part of the KYBP process.		

2. **Does the entity have processes in place to avoid / manage conflict of interests involving members of the Board? (Yes/No) If yes, provide details of the same.**

   Yes, the Company has Code of Conduct for Board of Directors and Senior management personnel which provides clear guidelines for avoiding and disclosing actual or potential conflict of interest with the Company.

   The Company receives an annual declaration from its Board of Directors on the entities they are interested in, and ensures requisite approvals as required under the applicable laws are taken prior to entering transactions with each entity.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.

Essential Indicators

1. **Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity, respectively.**

   USL has state-of-the art R & D and Innovation facility located at Bangalore and it's a nerve centre to drive product and process Innovation for the companies to create Sustainable portfolio of brands. This innovation hub housed with leading innovation scientists works to create products which will be in pace with consumer delight.

   USL also created world class Packaging Technology Centre (PTC) to innovate and develop Packaging Materials that are sustainable by design and powers circularity.

₹ in Lakhs

Particulars	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
R&D	5,141.9	3,527.5

Note: Most of the expenses incurred towards R&D will have Sustainability benefit either directly or indirectly and hence, reported the total R&D Spend.

Particulars	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
CAPEX on Sustainability	953.9	74.5
% of Total CAPEX (approximate)	7%	1%

Note: The percentage Capex spent indicated are incurred towards decarbonization and water conservation. In addition, other Capex spent also contributes indirectly towards reducing environmental impacts.

Business Responsibility Sustainability Report (Continued)

2. a. **Does the entity have procedures in place for sustainable sourcing? (Yes/No)**

Yes, USL has a policy in place which describes Guidelines and recommendations to outline the requirement to partner with suppliers.

b. **If yes, what percentage of inputs were sourced sustainably?**

USL has initiated processes addressing the need for sustainable sourcing. In line with Diageo's global statement of intent on sustainable procurement, your Company has issued its own refreshed guideline on Partnering with Suppliers (PWS), covering engaging with vendors on ethical business practices, protection of human rights, health and safety standards as well as reduction of environmental impact. Additionally, your Company is implementing the roll out of Sedex, a global collaborative platform for sharing of responsible sourcing data, across its vendor base in a phased manner. With regard to regular review to improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations.

During financial year 2022-23, USL sourced 64% of the packaging materials used in the products, from Suppliers governed under Responsible sourcing programme.

USL ensures minimization of our resource usage footprint, by working collaboratively with our suppliers along the following dimensions:

- Product specification optimization: including but not limited to light-weighting of containers, gauge reduction of metal components, weight optimization of print material etc., deploying available / new-age technologies & manufacturing capabilities with our suppliers.
- Feature optimization: In select cases, we have removed surplus packaging components to reduce overall material use.
- Rationalization: company is working towards rationalization of our material components for both economies of scale as well as maximizing utilization across our requirements, especially for recycled products like returnable bottles.

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

Company has initiated pilot on regenerative agricultural practice for the key agricultural commodity which helps farmers to adapt practice which helps conserve water and power circularity of nutrients within the soil.

3. **Describe the processes in place to safely reclaim your products for reusing, recycling, and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste.**

Our approach is based on the basic principles of circularity. We believe that as a business that relies on packaging, we have a duty to strive towards a more circular model. This is at the heart of our long-term view of packaging and its future. We take circularity as both a practical guide and a mindset. It reflects a desire to push beyond recycling. It's a powerful idea that impacts how we build our brands and our business.

It means less waste. All single use packaging is problematic, and the take make-dispose model isn't viable long term due to its impact on our planet, consumers, and business.

It means more responsibility. Circularity makes brand responsible for the entire life cycle of packaging instead of passing the responsibility on to consumers. We're therefore supportive of Extended Producer Responsibility, in which producers hold responsibility for the treatment or disposal of post-consumer products, despite the cost and implications.

It means closing the loop. Circularity allows us to conserve natural resources by treating packaging materials as reusable assets. This requires a better aligned view of what we do, how and where we sell. It can even require different infrastructure, approach to investment and different kinds of partnerships to ensure resources stay in circulation.

Business Responsibility Sustainability Report (Continued)

a) Plastic: We are committed to collect back and recycle the plastic we use and introduce through EPR by working across all regions.

b) Hazardous Waste: By virtue of process, quantity of Hazardous waste generated is insignificant in terms of quantity. However, we ensure that, these wastes are disposed only through State or Central Pollution Control Board Authorized recyclers.

c) As part of the E-waste disposal for USL, all procured IT assets like Server, Storages, Racks, Networks devices and other Communication devices etc. are considered for e-waste disposal. The other Leased Assets are not included in the scope since these assets will be returned to the leased vendor after the lease period. To ensure proper E-waste disposal, Certified E waste partner has to be identified. They should have authorized certificate by the respective state government to carry out E-waste handling and disposal. The vendor has to be provided Green Certificate post the activity is completed. For assets which are re-distributed / re-sold, appropriate documentation to be shared so that e-waste compliance is met.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Yes. Extended Producer Responsibility (EPR) requirement under Plastic waste rule'2016 (amended to date) is applicable to USL and we are complying with requirement under the rule.

Leadership Indicators

1. Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details.

USL has conducted Lifecycle assessment (LCA) of key products to identify areas of improvement across its value chain. The LCA was achieved through conducting the 'Life Cycle Assessment' as per ISO 14040/44 standard. LCA model adapted to Cradle-to-grave approach. The LCA approach will be continued across other portfolios of products to evaluate key environmental impacts such as Carbon footprint, resource use, water use etc., across our value chain.

2. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.

USL is committed to preserving the natural resources on which we all depend and tackling key Environmental issues such as Climate change, Water stress and loss to Biodiversity are underpinned with our commitment to doing the business right way from Grain to Glass Sustainability.

Our interaction with the natural world is complex and recognizing the interdependencies between our use of natural resources and potential impacts, we have framed our Society 2030: Spirit of Progress action plan which help to create a more sustainable world.

Our Sustainability Strategic Targets are supported by three strategic Pillars of Commitment

- Preserve Water for Life
- Accelerate to Low Carbon World
- Become Sustainable by Design.

USL has conducted Lifecycle assessment of key products to identify areas of improvement opportunities and some will be deployed for the protection of the natural resources.

We're working hard to reduce Environmental impact into how we work on a day-to-day basis across our business. As a result, we're investing in tracking and measuring the role of packaging in the total footprint in all our major brands.

Using third party life cycle analysis (LCA) and Tools, we could prioritize the Environmental issues, make better and more informed decisions and introduce interventions and track progress.

Some of the Key Interventions considered are Elimination of Intermediate Containers, Moving to Low Carbon packaging formats, weight reductions in packaging formats and evaluate and power more circularity through reuse and recycle of packaging.

Business Responsibility Sustainability Report (Continued)

3. **Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).**

Our packaging strategy work falls into three areas of focus - reduce, recycle, and reuse. Given the scale of the challenge, we are tackling these simultaneously across our business with teams from R&D, marketing, innovation, & supply chain working cohesively. By doing so, we believe that we can create a positive impact on environment.

In order to make consumer packaged goods more sustainable, we designed our packaging systems that allow true circularity – from packaging design to the business model that forms a closed loop.

We have strengthened our value chain collaboration to increase recycled material across our packaging materials. We also have a strong supply network and system for the use of returnable glass bottle which help avoid use of virgin resource and reduce carbon emission. Total % of recycled content used are as below.

Indicate input material	Recycled or re-used input material to total material	
	Financial Year 2022 - 23 (Current Financial Year)	Financial Year 2021 -22 (Previous Financial Year)
Packaging material	57%	56%

4. **Of the products and packaging reclaimed at end of life of products, amount (in metric tons) reused, recycled, and safely disposed.**

We recognize the importance of tackling the problem of sustainable packaging to reduce the environmental impacts and to do so, we need to become sustainable by design. Which means, eliminating waste, developing solutions to reuse materials, caring for land and its resources, and creating innovative solutions to grow sustainably.

Reclaiming and Reusing of our Packaging materials at the end of life:

To make consumer packaged goods more sustainable, we need to create packaging systems that allow true circularity – from packaging design to the business model needed to close the loop.

Glass is the largest packaging material used at USL. In order to create more circular model, we have implemented end-of-life glass bottle return system where we buy empty bottles, and we sanitize, refurbish and reuse to the level that it can be consumed.

Plastic Packaging after the end-of life being collected and recycled through Extended Producer Responsibility (EPR) System covering all region across India to collect and recycle all plastic waste categories. We have collected and sustainably managed more than 22,000 tons of plastic waste across all States and Union Territories.

Particulars	Financial Year 2022 - 23 (Current Financial Year)			Financial Year 2021 -22 (Previous Financial Year)		
	Reused	Recycled	Safely disposed	Reused	Recycled	Safely disposed
Glass (Mt)	37,625	0	0	29,052	0	0
Plastic Waste (EOL) – (Mt)	0	12,440	10,250	0	11,750	10,200

5. **Reclaimed products and their packaging materials (as percentage of products sold) for each product category.**

Reclaimed and reused Glass Packaging are distributed between different products and details of % of reclaimed packaging material are as given below.

Particulars	% Reclaimed Glass Packaging Material	
	Financial Year 2022 - 23 (Current Financial Year)	Financial Year 2021 -22 (Previous Financial Year)
Glass Packaging covering different product brands	12.5%	9.8%
Plastic Waste under EPR (Covering Solid, Flexible and MLPs)	100%	100%

Business Responsibility Sustainability Report (Continued)

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chains

<u>Essential Indicators</u>

1. a. Details of measures for the well-being of employees:

Category	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
Permanent Employees											
Male	1,025	1,025	100%	1,025	100%	0	NA	1,025	100%	1,025	100%
Female	366	366	100%	366	100%	366	100%	0	NA	366	100%
Total	1,391	1,391	100%	1,391	100%	366	100%	1,025	100%	1,391	100%
Other than Permanent Employees											
Male	174	174	100%	174	100%	0	NA	0	0%	0	0%
Female	34	34	100%	34	100%	34	100%	0	NA	0	0%
Others *	203	203	100%	203	100%	NA	NA	NA	NA	0	0%
Total	411	411	100%	411	100%	34	100%	0	0%	0	0%

*203 other than permanent employees did not wish to disclose gender

1 b. Details of measures for the well-being of employees:

Category	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
Permanent Employees											
Male	1,498	1,498	100%	1,498	100%	0	NA	0	0%	1,498	100%
Female	68	68	100%	68	100%	68	100%	0	NA	68	100%
Total	**1,566**	**1,566**	**100%**	**1,566**	**100%**	**68**	**100%**	**0**	**0**	**1,566**	**100%**
Other than Permanent Employees											
Male	2,467	2,467	100%	2,467	100%	0	NA	0	0%	2,467	100%
Female	754	754	100%	754	100%	754	100%	0	NA	754	100%
Total	**3,221**	**3,221**	**100%**	**3,221**	**100%**	**754**	**100%**	**0**	**0%**	**3,221**	**100%**

*Other than permanent workers are covered for Health and Accident insurance through ESI

2. Details of retirement benefits, for Current financial year and Previous Financial Year

Benefits	Financial Year 2022 - 23 (Current Financial Year)			Financial Year 2021 -22 (Previous Financial Year)		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF	100%	100%	Y	100%	100%	Y
Gratuity	100%	100%	Y	100%	100%	Y

Business Responsibility Sustainability Report (Continued)

3. Are the premises / offices of the entity accessible to differently abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Most of our establishments are accessible to the differently abled, and we are continuously working towards improving infrastructure for eliminating barriers to accessibility.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

Yes, the Company has a Policy on equal opportunity. Link is shared below.

https://diageo.sharepoint.com/sites/DiageoOneHR/asia-pacific/India/Lists/Diageo%20One%20Documents/Equal%20Opportunity%20Policy_final%2024%20feb%202023.pdf

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Gender	Permanent employees		Permanent workers	
	Return to work rate	Retention rate	Return to work rate	Retention rate
Male	90%	66%	0	0
Female	100%	100%	100%	0
Total	**93%**	**76%**	**100%**	**0**

6. Is there a mechanism available to receive and redress grievances for the following categories of employees? If yes, give details of the mechanism in brief.

Particulars	Yes/No (If Yes, then give details of the mechanism in brief)
Permanent Workers	We have introduced "SpeakUp", a confidential service to raise concerns about non-compliance to law, code of conduct and policies. This service is available 24*7 and managed independently.
Other than Permanent Workers	
Permanent Employees	
Other than Permanent Employees	

7. Membership of employees in association(s) or Unions recognized by the listed entity.

Category	Financial Year 2022 - 23 (Current Financial Year)			Financial Year 2021-22 (Previous Financial Year)		
	Total employees / workers in respective category (A)	No. of employees / workers in respective category, who are part of association (s) or Union (B)	% (B/A)	Total employees / workers in respective category (C)	No. of employees / workers in respective category, who are part of association (s) or Union (D)	% (D/C)
Total Permanent Employees	1,391	0	0%	1,512	0	100%
Male	1,025	0	0%	1,166	0	100%
Female	366	0	0%	346	0	100%
Total Permanent Workers	1,566	1,555	99%	1,678	1,667	99%
Male	1,498	1,487	99%	1,550	1,539	99%
Female	68	68	100%	128	128	100%

Business Responsibility Sustainability Report (Continued)

8. Details of training given to employees and workers

Category	Financial Year 2022-23 (Current Financial Year)					Financial Year 2021-22 (Previous Financial Year)				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Male	1,025	956	93%	459	45%	1,166	413	35%	298	26%
Female	366	292	80%	136	37%	346	171	49%	159	46%
Total	**1,391**	**1,248**	**90%**	**595**	**43%**	**1,512**	**584**	**39%**	**457**	**30%**
Workers										
Male	1,498	765	51%	843	56%	1,550	927	59%	865	56%
Female	68	18	26.50%	29	43%	128	89	69%	48	54%
Total	**1,566**	**783**	**50%**	**872**	**56%**	**1,678**	**1016**	**60.50%**	**913**	**54%**

9. Details of performance and career development reviews of employees and worker

Category	Financial Year 2022-23 (Current Financial Year)			Financial Year 2021-22 (Previous Financial Year)		
	Total (A)	No. (B)	% (B/A)	Total C	No. (D)	% (D/C)
Employees						
Male	1,025	852	83%	1,166	1,030	88%
Female	366	264	72%	346	280	81%
Total	1,391	1,116	80%	1,512	1,310	87%
Workers						
Male	0	0	0	0	0	0
Female	0	0	0	0	0	0
Total	0	0	0	0	0	0

Note: Workers are mostly governed through long term settlements.

- New Joiners and employees serving notice are a part of above calculation hence it may not show 100% completion.
- USL has quarterly P4G (Partner for growth running from July – June) process. Data shown is for F23 Q3 (Jan-March 23).

10. a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage of such a system?

Yes.

USL is committed to World Class Health and Safety Culture in all our operations by creating a Proactive Health and Safety Environment and Wellbeing culture in which all occupational illness and injuries are foreseeable and preventable. We expect everyone to act in a manner that demonstrates their personal commitment.

Our health and safety policy encapsulates our responsibility to protect the workplace health, safety, and wellbeing of our people. We comply with all health and safety laws and regulations prescribed by the Indian Government. Our occupational health and safety programs are managed at the local level and driven by the Line management and the Head EHS ensures a strong governance system which includes supporting implementation of Safety Standards as per our GRMS (Global Risk Management System), driving USL EHS initiatives in all operations in India and driving various engagement and capability building initiatives and consistently communicating progress to the Management team & Global team. At the Global level, USL has put in place a robust Occupational Health and Safety (OHS) management system that covers all employees and workers and is built on a systems-based approach that seeks to integrate OHS management into overall business processes. It promotes leadership through meaningful consultation and participation of employees at all levels in the organization. This system comprises of 39 standards

Business Responsibility Sustainability Report (Continued)

including 11 critical, non-negotiable 'Life Saving Rules'. As per our GRMS process, each of the locations, at a defined frequency, does a self-assessment against the requirement of 11 Standards under Severe & Fatel Incident Prevention (SFIP) and the gap identified is corrected by taking appropriate actions. The Organization provides resources including capital to improve the safety management system and mitigate the risk.

b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

Our health and safety standard captures hazard identification, risk assessment and incident investigations as a process. It describes hazards as an event or series of events, resulting in one or more undesirable consequences such as harm to people, damage to the environment, or asset/business losses compliance with local Indian government's risk management standards. We continually monitor health and safety parameters and analyze them as per the standard procedures. It enables us not only to identify and rectify unsafe conditions or at-risk behaviors but also to recognize positive behaviors of employees. All the employees are encouraged to report work-related hazards and remove them from their workplace which could cause injury or ill health. We also train our employees regularly to identify, report unsafe conditions, near misses and investigate work-related incidents and assess the risks post corrective actions.

There are well layered system of capturing and reporting safety concerns on shop floor including through SIRC (Safety Improvement Report Cards) and conduct SAM (Safety Action Meeting) for identifying solutions at shopfloor level through engagement of the shopfloor team/ employees and identifying solution collectively. SAM (Safety Action Meeting) process is very focused consulting/ idea generation process ensuring solution is coming from the shopfloor team and there is greater buy-in for the actions identified for mitigating the risk.

Company recognizes & encourage employees to look after not only their safety but also co-worker's safety in their working area and this being led by the Line manager/Unit Head and his/her team of executive who on a periodic frequency does a focus safety walk-abouts in the work premises and looks for safe and at-risk behavior including unsafe conditions and interacts with work person on safety. The Behavioral Based Safety (BBS)/Safety Observation process in the long run helps build safe work culture.

c. Whether you have processes for workers to report the work-related hazards and to remove themselves from such risks. (Y/N)

Yes, we have robust systems of reporting work-related hazards through various mechanisms.

- As part of daily work management in Unit level, during T-1 review at shopfloor all work persons/shopfloor team does a focus review under Safety Quality Cost Delivery Morale and Sustainability where safety is first discussion point and any concern on safety is brought to everyone's notice and gets corrected.
- Another well-established practice is through documented reporting of work-related hazard in the form of SIRC (Safety Information Report Card). Worker person reports hazard through SIRC cards and submit the concerns for corrections.
- As a part of Department Head review (T2 Reviews) safety is discussed and finally during Unit management review (T3 Reviews), status on safety and any concern state (SIRC and closure) is monitored.
- In addition, each unit has a Central safety committee which has equal representation from workers and management and is chaired by Unit Head. In addition to various safety and health KPI reviews, any pending/unattended concern on workplace hazard can be escalated in this Committee meeting. Actions are noted and tracked till closure.

d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)

Yes

USL promotes worker health and encourages workers to access local services and systems as and when required through several channels:

- The USL Benefits Team facilitates non-occupational medical and healthcare services. We provide optional medical insurance, which is communicated to employees through internal communication channels.
- We offer an Employee Assistance Program (workplace options) as well as access to voluntary health promotion training courses on My Learning Hub, such as our DRINKiQ e-learning program on positive drinking behaviors. In response to Covid-19, we created a new wellbeing channel on My Learning Hub.

Business Responsibility Sustainability Report (Continued)

- Our employee engagement team run Health and Wellbeing Awareness capability weeks covering subjects including mental health, mindfulness techniques and nutrition.

Each Unit have Occupational Health Centre, which also provides services to employees including contractor persons for non-occupational health and on periodic manner run campaigns on building awareness on personal health in addition to routine occupational services.

11. Details of safety related incidents

Safety Incident/Number	Category	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	0.33*	0.32
	Workers	0.14*	0.21
Total recordable work-related injuries	Employees	1*	1
	Workers	6*	8
No. of fatalities	Employees	0*	0
	Workers	0*	0
High consequence work-related injury or ill-health (excluding fatalities)	Employees	0*	0
	Workers	0*	0

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Yes, Limited Assurance undertaken by Price Waterhouse & Co. Chartered Accountants LLP, for the indicators marked by * above

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

With a vision of Zero harm where all employee and associates are injury free, Diageo's India/USL as strategy have following 6 Prioritize Areas:

1. Visible Felt Leadership. Setting Tone from the Top & focusing on Leading Indicator on safety

As a practice of visible felt leadership, leadership team in manufacturing conducts focus safety walkabouts at workplace and interact and provide feedback to work persons there by exhibiting consistent message that safety is of utmost importance. Organization tracks and monitors proactive/Leading indicator on safety at all levels.

2. Behavioral safety program– With a view to transforming and driving a culture of safety.

We have a well-established Behavioral Based Safety (BBS) program across all units. As part of this program all line managers undergo orientation on BBS covering BBS tools and techniques. All trained employees conducts Focus Safety Observations by taking round at shopfloor/workplace and report the same in dedicated portal. Intention is to identify safe and at-risk behavior at shopfloor/workplace and interact with workmen/employee and engage them on the same.

3. SFIP (Severe & Fatal incident Prevention) Program – Focus on 11 High Risk Areas

Under the SFIP Program which comprises of 11 critical safety standards basis the risks. The SFIP program covers Falls From heights, Confined Spaces, Exposure to Hazardous Energies, Electrical systems - Exposure to High Voltage Electricity, In-plant Traffic, Explosive Atmospheres, Asphyxiating and Toxic gases, Lifting Operations & Collapsing loads, Management of Contractors. Also, 11 Life saving rules are communicated to all employees ensuring sensitivity and compliance with these Life Saving Rules. Compliance with the SFIP Standards is done through self-check by the Business Unit and accordingly actions are identified for bridging the gap. Tracked through Central Reporting tool a scorecard is maintained for all Business unit. Organizations have also rolled out key policies for safe travel, business events and progressive discipline to reinforce existing awareness that safety is the highest priority in all situations.

Business Responsibility Sustainability Report (Continued)

4. **Engagement & Capability Building – Focus in mass engagement on Safety and Training**

As a part of Training and Capability building focused training conducted for targeted sets of employees on following areas:

- Work at height
- Confined space entry
- First aid
- Risk assessment and permit to work
- Job safety training
- Safety induction training to all visitors, new employees & contractors

The training programs delivered to all employees are:

- EHS awareness
- Mock evacuation drills, etc.

Organization makes the most through celebrating National Road Safety Month in January and National safety Month in March and during themed months ensuring maximum engagement amongst the employees.

5. **Safety Learning Organization – Communication and Collective learnings**

In addition to several structured communication process of Townhall meeting where safety performance is communicated to all, Organization does focused communications on Hazard Alert across all business with clear expectations on maximum communication downwards to all and horizontal deployment on lessons learnt from incidents, thereby focus on maturing organization on safety Sensitivity.

6. **Process Safety Management & Driving Safety**

These are the focus area USL has embarked on, maturing to the next level of Safety in Process Safety Management and building in Safe Driving behaviors amongst USL employees and associates. Recently Company launched a Long-term initiative i-Drive Safe focusing on building Defensive Driving behavior amongst all.

13. Number of Complaints on the following made by employees and workers.

Category	Financial Year 2022-23 (Current Financial Year)			Financial Year 2021-22 (Previous Financial Year)		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions	01	0	No pending complaints	0	0	No complaints received
Health & Safety	USL received 01 case pertaining to Employee Health and safety. The same was investigated by investigations team. Based on the investigative findings, the allegations stood substantiated, and the Grievance Committee recommended certain actions consequently.			04	0	All complaints resolved and closed

Business Responsibility Sustainability Report (Continued)

14. Assessments for the year

All our manufacturing units adhering our Global Risk Management Systems (GRMS) including Severe Fatality Incident Prevention (SFIP) which are in alignment with International Standards including ISO 45001 and in addition as part of assurance process all our sites undergo annual 3rd party audit compliance Health and Safety compliance.

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Health and safety practices	100%
Working Conditions	100%

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks / concerns arising from assessments of health & safety practices and working conditions.

At USL, we practice Global Risk Management System (GRMS) common codified standard across our operations and facility which include Safety Standards. To provide, focused approach, there are 11 SFIP (Severe & Fatality Incident Prevention) Standards which provide controls to minimize the safety risk and self-check on regular frequency to assess the adherence to these controls. Through this assessment corrective actions are developed and implemented on-going basis to mitigate the gaps.

Leadership Indicators

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N).

Yes. In the unfortunate event of the death of an employee including workers, the Company extends financial support to family members of the employees.

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Company ensures that statutory dues as payable by service providers for their employees are deposited on time and in full through a process of periodic audits and controls.

3. Provide the number of employees / workers having suffered high consequence work related injury/ ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment.

As per our process, all incidents/injuries at the workplace are investigated. Any injured person is provided support till full recovery and as per the process are rehabilitated post review by OHC Doctor.

Category	Total no. of affected employees/ workers		No. of employees/workers that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	Financial Year 2022 -23 (Current Financial Year)	Financial Year 2021 -22 (Previous Financial Year)	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
Employees	0	0	0	0
Workers	0	0	0	0

4. Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/ No)

Yes. USL continually invests in human capital development which includes building skills and capabilities that are contemporary while providing employees with a diversity of experiences. These enhance the employability of the workforce and enable a smooth transition to alternate opportunities. On a case-to-case basis we extend outplacement support to impacted employees through our service partners.

Business Responsibility Sustainability Report (Continued)

5. Details on assessment of value chain partners

Under the Responsible sourcing program, all the High-Risk Value chain partners are audited as per the SEDEX protocol under SMETA four pillar Audit. All third-party manufacturers (TMU's) are covered under this audit process which has a focus check point on EHS areas.

	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	90%
Working Conditions	90%

6. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from assessments of health and safety practices and working conditions of value chain partners.

Through our ongoing review in our Workplace/Third party we identify opportunity of improving safety involving value change partners and one of the important value chain partners are Third party manufacturers, Transporters who supports logistics in our business value chain and Contractors Agency who work with us in our premises for various project activity.

As an ongoing process we train them, engage with them, and build the capability of drivers/project workforce through focus training and involving them in various safety Campaign we run – Road Safety, I-Drive safe Campaign and National safety Month where they are equally involved, engaged, and sensitized on safety.

One of the important value chain partners is TMU (Third Party Manufacturing). They perform self-audit as per USL specified EHS and Quality criteria (L1 Standards) and conduct focus Audits of the units through third party for compliance on EHS statutes and support and guide the units to close the gaps identified and also involve them USL's engagement Safety campaigns – Road Safety month/National Safety month.

We also share with them hazard alerts of incidents from Diageo Global fraternity as part of sharing and learning and horizontal deployment of corrective actions.

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders.

Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.

USL identifies its stakeholder groups through Stakeholder Engagement and Materiality Assessment (SEMA) process. As part of the process, we look at the external trends shaping our operating environment and how we can most effectively align our work with these trends and the sentiment of relevant stakeholders.

Our key stakeholders include customers, investors, community, employees, suppliers & policy makers.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly/ others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Consumers	No	Brand & Corporate website, social media, Product information on packaging, Consumer carelines	Throughout the year	Responsible Consumption
Employees	No	Email, Employee Your Voice Survey	Throughout the year	Employee Satisfaction

Business Responsibility Sustainability Report (Continued)

Stakeholder Group	Whether identified as Vulnerable & Marginalized Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, Advertisement, Community Meetings, Notice Board, Website), Other	Frequency of engagement (Annually/ Half yearly/ Quarterly/ others – please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Communities	Yes	One-to-one meetings or conversations, Ongoing partnerships, Need assessment, Impact assessment, Community meetings	Throughout the year	Community development
Investors	No	Investor meetings	Quarterly	ESG Performance
Supply Chain Partners	No	Supplier meetings	Throughout the year	ESG Performance
Government/ regulators	No	Direct meetings, website through trade bodies and other associations	Throughout the year	Compliances
Farmers	Yes	One-to-one meetings or conversations, Ongoing projects with small farmers, Need assessment, Impact assessment, Community meetings	As per project requirement.	Development

Leadership Indicators:

1. **Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics or if consultation is delegated, how is feedback from such consultations provided to the Board.**

   Our Executive committee headed by the CEO is responsible for day-to-day management of ESG aspects. The Management team reports to the Board of Directors who oversee the overall governance of the organization. We have also created the (USL) Diageo India Leadership Team (DILT), a cross functional team consisting of functional heads. DILT is responsible for embedding ESG in our business Processes and reports to the Executive Committee on a quarterly basis and the stakeholder feedback is incorporated during these quarterly meetings and appropriate decisions are taken.

2. **Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.**

   Society 2030: Spirit of Progress is our 10-year ESG action plan to help create a more inclusive and sustainable world. Its priorities, reflect the most material issues affecting our Company, our people, our brands, our suppliers and our communities. Our strategic priorities are to promote positive drinking, champion inclusion and diversity and pioneer grain-to-glass sustainability. Doing business, the right way underpins everything we do.

   This ESG strategy is an outcome of stakeholder consultation and a rigorous materiality assessment. This assessment looked at the external trends shaping our operating environment and how we can most effectively align our work with the UN Sustainable Development Goals. The team consulted many internal and external stakeholders and explored the findings in workshops with experts from our business functions. The stakeholder feedback was incorporated and as an outcome Society 2030-Spirit of Progress was developed and implemented.

3. **Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalized stakeholder groups.**

   Social Responsibility is an inherent component of organization's corporate strategy. The CSR Programmes are targeted towards creating a positive impact in the lives of the communities where we live, work, source and sell. We believe in strategic and a need-based CSR, wherein each programme is designed in consultation with the community members. A robust stakeholder engagement process is

Business Responsibility Sustainability Report (Continued)

conducted for each CSR programme. These outcomes act as a valuable input in programme design. Women empowerment is one of our core agendas and a central focus area in all our programmes. 50 % of beneficiaries from our community interventions are women. We work towards providing them with an opportunity to lead a dignified life. Through our Water Conservation and 'Water for Life' programme we work towards increasing the availability of portable drinking water and WASH facilities to communities in which we work, while enabling an environment to facilitate sustainable water management. In addition, through our skilling programme "Learning for Life. A hospitality skills programme" we target those individuals who are seeking employment in the hospitality industry, but who may have faced barriers to employment in their lives. The objective is to provide equal access to business and hospitality skills and resources to increase an individuals' employability, improve livelihoods and support a thriving hospitality sector. Further, as a proactive organization, USL is committed to tackle alcohol related harm and promote positive drinking through various programmes addressing underage consumption, impacts of drink driving and alcohol moderation programme. The focus is on creating an attitude change towards alcohol.

Principle 5: Businesses should respect and promote human rights.

Essential Indicators

1. Employees and workers who have been provided training on human rights issues and policy(ies) of the entity in the following format:

Category	Financial Year 2022-23 (Current Financial Year)			Financial Year 2021-22 (Previous Financial Year)		
	Total (A)	No. of employees / workers covered (B)	% (B / A)	Total (C)	No. of employees / workers covered (D)	% (D / C)
			Employees			
Permanent	1,391	511	37%	1,512	1,110	73%
Other than permanent	411	201	49%	430	45	10%
Total Employees	**1,802**	**712**	**40%**	**1,942**	**1,155**	**59%**
			Workers			
Permanent	1,566	260	17%	1,678	265	16%
Other than permanent	3,221	0	0	2,806	0	0
Total Workers	**4,787**	**0**	**0**	**4,484**	**265**	**6%**

The Company has policies on Human Rights which are applicable to all its employees and value chain partners. The said Policies and their implementation are directed towards adherence to applicable laws and upholding the spirit of human rights, as enshrined in existing International Standards such as the Universal Declaration and the Fundamental Human Rights Conventions of the International Labour Organisation (ILO). Awareness on these subjects is also decimated through emailers, notices, employee communication meetings. Data listed above captures only specific sessions conducted under the heading of issues under Human Rights.

Business Responsibility Sustainability Report (Continued)

2. Details of minimum wages paid to employees and workers, in the following format:

Category	Financial Year 2022-23 (Current Financial Year)					Financial Year 2021-22 (Previous Financial Year)				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B / A)	Total (C)	% (C / A)		No. (E)	% (E / D)	No. (F)	% (F / D)
Employees										
Permanent	1,391	0	0	1,391	100%	1,512	0	0	1,512	100%
Male	1,025	0	0	1,025	100%	1,166	0	0	1,166	100%
Female	366	0	0	366	100%	346	0	0	346	100%
Other than Permanent	411	0	0	411	100%	430	0	0	430	100%
Male	174	0	0	174	100%	69	0	0	69	100%
Female	34	0	0	34	100%	17	0	0	17	100%
Did not Disclose	203	0	0	203	100%	344	0	0	344	100%
Workers										
Permanent	1,566	0	0	1,566	100%	1,678	0	0	1,678	100%
Male	1,498	0	0	1,498	100%	1,550	0	0	1,550	100%
Female	68	0	0	68	100%	128	0	0	128	100%
Other than Permanent	3,221	3,221	100%	0	0	2,806	2,806	100%	0	0
Male	2,467	2,467	100%	0	0	2,090	2,090	100%	0	0
Female	754	754	100%	0	0	716	716	100%	0	0

3. Details of remuneration/salary/wages, in the following format: in ₹

Category	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category	Number	Median remuneration/ salary/ wages of respective category
Board of Directors (BoD) *	6	51,25,000	2	6,19,21,613
Key Managerial Personnel	2	2,45,52,166	1	11,90,43,225
Employees other than BoD and KMP	1,012	16,51,715	362	14,57,065
Permanent Workers	1,498	5,15,848	68	5,40,002

* The Board of Directors comprises remuneration paid to Key Managerial Personnel and Independent Directors and excludes Non-Executive Directors

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes, we have an internal committee specifically for Human Rights Impacts.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

Company has established whistle-blower mechanism known as SpeakUp, which is being independently operated by a third-party agency. We encourage our employees or representatives acting on behalf of the Company, to raise their compliance concerns through this mechanism, apart from other internal reporting channels viz. Line Manager, HR Business Partner, Legal Business Partner and Business Integrity Partner.

Business Responsibility Sustainability Report (Continued)

The SpeakUp channel is available on the Company's website at https://www.diageoindia.com/en/about-us/corporate-governance/speak-up. Services available in English and 5 other regional languages, and compliance concerns can be raised by any aggrieved person through web page or toll-free number. During the year, we have introduced QR code to facilitate the access to SpeakUp channel.

6. Number of Complaints on the following made by employees and workers:

Category	Financial Year 2022-23 (Current Financial Year)			Financial Year 2021-22 (Previous Financial Year)		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	2	1	Out of 02 cases received during the financial year, 01 case is still under investigation as on 31st March 2023	1	1	01 case received during the financial year 2021-22 was still under investigation as on 31st March 2022
Discrimination at workplace	1	1	01 case pertaining to discrimination at workplace, which is still under investigation as on 31st March 2023	2	0	0
Child Labour	1	1	01 case received on Child Labour during the financial year which is still under investigation as on 31st March 2023	0	0	0
Forced Labour/ Involuntary Labour	0	0	0	0	0	0
Wages	0	0	0	1	0	0
Other human rights related issues	1	0	Investigated and closed.	0	0	0

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

At USL, we encourage reporting a concern in good faith and do not tolerate any act of retaliation against anyone reporting a problem / concern or assisting in an investigation. Anyone found to be engaging in retaliation against an individual (includes Communities, Employees, Workers, Value chain partners & Others) who has raised a concern, will be subject to disciplinary action as per breach management standards.

In addition to the above rules, Diageo also provides individuals (defined as above) the option to report their concern anonymously. All concerns raised through SpeakUp are assigned to trained investigators who conduct investigations with utmost confidentiality and integrity.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes. In our agreements with the service providers and suppliers (for e.g., manpower services agreement, security services agreement, raw material supply agreement, etc.), we recommend including contract clauses encapsulating the following principle–

"Inclusion and Diversity to promote equality and discourage discrimination of any kind as to gender, race, religion, etc."

We include the above clause in USL's Codes which forms part of annexures. A sample clause as defined under USL's Codes (included in our agreements) is as follows –

"Inclusion & Diversity - Supplier shall endeavour to commit to promote principles of inclusion and diversity within their organisation."

Business Responsibility Sustainability Report (Continued)

We have also revised our manpower services and security services agreement to remove gender-based requirements, for e.g. in security/ manpower services agreement, we have revised the terminologies from gunman to gunperson, workman to worker, service men to service personnel, etc. to make our agreements gender neutral and have removed gender-based requirements including but not limited to minimum height requirements for male and female.

9. Assessments for the year

Category	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Sexual Harassment	100%
Discrimination at workplace	100%
Child Labour	100%
Forced Labour/Involuntary Labour	100%
Wages	100%
Other please specify	NA

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

We continue to focus on training and awareness of labour rights, non-discrimination, harassment, and other areas pertaining to Human Rights. We also conduct annual policy refresher trainings to all employees. Our Code of Conduct is applicable to all employees in the Company and any violation of the Code renders the person liable for disciplinary action. Employees can raise complaints / issues if any through our whistle-blower mechanism known as SpeakUp, which is being independently operated by a third-party agency. We also ensure compliance to above parameters through regular audits.

Leadership Indicators:

1. Details of a business process being modified / introduced as a result of addressing human rights grievances/ complaints.

We continue to focus on training and awareness of labour rights, non-discrimination, harassment and other areas pertaining to Human Rights. We also conduct annual policy refresher trainings to all employees. Our Code of Conduct is applicable to all employees in the Company and any violation of the Code renders the person liable for disciplinary action.

2. Details of the scope and coverage of any Human rights due diligence conducted.

Human rights impact assessment was conducted across Diageo India (USL) covering own manufacturing, Tie Up Manufacturing, Sales and marketing employees and value chain partners.

3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

Most of our establishments are accessible to the differently abled, and we are continuously working towards improving infrastructure for eliminating barriers to accessibility.

4. Details on assessment of value chain partners

The assessment of value chain partners involves conducting SMETA 4 pillar audits, which assess compliance with the four pillars of labour, environmental, health, and business ethics. The continuous follow-up and support provided to value chain partners is important to help them improve their performance and maintain compliance with the organization's standards.

The suppliers selected under this program are based on several factors, including the level of risk associated with their operations, their geographic location, and their importance to our organization's supply chain.

Step 1: Planning and Scheduling Audits

We start by assisting the suppliers help plan and schedule SEDEX audits with 3rd party independent auditors.

Business Responsibility Sustainability Report (Continued)

Step 2: Conducting SEDEX Audits

The SEDEX audit covers the four pillars of labour, environmental, health, and business ethics. During the audit, the suppliers' compliance is assessed with applicable laws and regulations. The audit typically includes a review of documents, interviews with suppliers' employees, and site inspections. After completing the audit, auditors generate a detailed report that outlines the findings and recommendations which are uploaded on SEDEX portal for visibility to USL.

Step 3: Follow-up and Support

After the audit, we work closely with suppliers to help them address any non-compliances identified during the audit. This may involve providing support to suppliers to help them comply with applicable laws and regulations or to implement best practices to improve their operations. We also provide guidance on how suppliers can address any issues identified in the audit report, and we work with them to develop a corrective action plan. Additionally, we conduct regular follow-up audits to ensure that the suppliers are maintaining compliance with our organization's standards and making progress towards implementing the corrective action plan.

Category	% of value chain partners (by value of business done with such partners) that were assessed
Sexual Harassment	90%
Discrimination at workplace	90%
Child Labour	90%
Forced Labour/Involuntary Labour	90%
Wages	90%
Other please specify	0

5. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 4 above.

As a responsible organization, we take any significant risks or concerns arising from our audits seriously and strive to address them promptly along with suppliers. Here are some examples of the corrective actions that our suppliers have taken or are underway to address the following areas of concern:

Wages:

We understand the importance of paying fair wages to our workers and have implemented a range of measures to address this. The auditors review wages as compared to labour laws (to match the minimum wages paid by suppliers) and overtime very seriously and any issues arising where the overtime is not paid or wages paid is not explainable to the workers (in vernaculars language) are raised during audits. Only when these issues are fixed, the non-compliances are closed.

Children and Young Workers:

We have a zero-tolerance policy towards child labour and work closely with our suppliers to ensure that they do not employ children or young workers. Auditors does detail review of the worker appointment letters along with details to check the age limits. All gaps identified under Sedex audits are addressed and corrective actions taken as on-going practice.

Fire Safety

Fire NOCs are checked for validity by auditors and for 5+ suppliers where this was raised as non-compliances, the facility has obtained fire safety NOC by fire authority and closed the issue.

Business Responsibility Sustainability Report (Continued)

Principle 6: Businesses should respect and make efforts to protect and restore the environment.

Essential Indicators

1. **Details of total energy consumption (in Joules or multiples) and energy intensity.**

Parameter	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
Energy Consumption in Terra Joules (TJ)		
Total electricity consumption (A)	46*	53
Total fuel consumption (B)	818*	933
Energy consumption through other sources (C)	0*	0
Total energy consumption (A+B+C)	**864***	**986**
Energy Intensity		
Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees) (KJ/₹ Cr)	3.13	3.20
Energy intensity for litre of Beverage packed (MJ/L)	0.146	0.148
Energy intensity for litre of spirit distilled (MJ/L)	22.39	25.38

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Yes, Limited Assurance undertaken by Price Waterhouse & Co. Chartered Accountants LLP, for the indicators marked by * above.

2. **Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.**

Not Applicable, as the Company does not fall in the category (as Designated Consumer) of industries mandated under PAT scheme.

3. **Details of Disclosures related to water.**

Parameter	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
Water withdrawal by source (in kilolitres)		
(i) Surface water	5,30,909*	6,95,010
(ii) Groundwater	90,020*	1,14,978
(iii) Third party water	1,38,180*	1,60,950
(iv) Seawater / desalinated water	0*	0
(v) Others	0*	0
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)	7,59,109*	9,70,938
Total volume of water consumption (in kilolitres)	7,51,729*	9,65,418
Water intensity per rupee of turnover (Water consumed / turnover) (KL/₹ Cr)	27.26	31.37
Water intensity for Beverage packed (Litre of Water consumed per litre of Beverage packed)	1.12	1.23
Water intensity for Spirit distilled (Litre of Water consumed per litre of Spirit distilled	14.01	18.86

Note: 1) Water details in the table above include data pertaining to 14 Plants and 5 Offices only.

2) For other offices and warehouses the withdrawal and consumption quantity for financial year 2022-23 is insignificant.

3) Surface water include Rainwater Harvested and use of 6,038 KL.

Business Responsibility Sustainability Report (Continued)

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Yes, Limited Assurance undertaken by Price Waterhouse & Co. Chartered Accountants LLP, for the indicators marked by * above.

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

All our distilleries are operated with Zero Liquid Discharge facilities. Recognizing the importance of preserving this shared resource across our distilleries.

We have deployed several water stewardship initiatives which help to conserve water and reduce wastewater and power circularity in water.

5. Please provide details of air emissions (other than GHG emissions) by the entity

Parameter	Please specify unit	Financial Year 2022-23 (Current Financial Year)	FY 2021-22 (Previous Financial Year)
NOx	Mt	28.40	27.30
Sox	Mt	12.02	9.55
Particulate matter (PM)	Mt	27.30	36.90

Note: Air emission details in the table above include data pertaining to 14 Plants only.

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity.

Parameter	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
GHG Emissions in Metric Tonnes of CO_2e		
Total Scope 1 emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	4,196*	5,127
Total Scope 2 emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	7,176*	9,193
Emissions Intensity		
Total Scope 1 and Scope 2 emissions per rupee of turnover Total emissions / turnover in rupees) (Kg CO_2e/₹ Cr)	412.40	465.30
Total Scope 1 and Scope 2 emission intensity per Litre of Beverage packed (Kg CO_2e / L)	0.023	0.024
Total Scope 1 and Scope 2 emission intensity per Litre of Spirit distilled.		
(Kg CO_2e/ L)	0.176	0.253

Note: 1) Non-Renewable electricity has been offset by the solar electricity (renewable) exported to the grid by net metering arrangement.

2) Currently, more than 70% of electricity requirements are met through in-house renewable electricity and the rest is managed through Electricity Imported from Grid. Market based Scope 2 Emission from Purchased Electricity has been offset through International Renewable Energy Certificates (i-RECs).

3) Our financial year 2022-23 biogenic CO_2e emissions from combustion of biomass (rice husk) from our direct operations were 77,254 tonnes CO_2e.

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Yes, Limited Assurance undertaken by Price Waterhouse & Co. Chartered Accountants LLP, for the indicators marked by * above.

Business Responsibility Sustainability Report (Continued)

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

USL through Parent Company (Diageo Plc) fully supports the Paris Agreement, the COP 26 Glasgow Climate Pact and we are a proud signatory to the Business Ambition for limiting global warming to 1.5°C above pre-industrial levels and the High-Level Climate Champions Race to Resilience.

Accelerating to a low carbon world is part of Society 2030: Spirit of Progress - our 10- year ESG action plan for creating a more inclusive and sustainable world. Society 2030 encompasses our goal to mitigate and adapt to climate change through our commitment to pioneer 'Grain to Glass' sustainability.

We're proud to have committed to achieving net zero emissions across our direct operations by 2030 or sooner and have built our targets to align with a pathway that limits the global temperature rise to less than 1.5°C.

Our emission reduction strategy recognizes the inherent linkages between moving to a low carbon world and our other priorities such as protecting water resources, enhancing biodiversity, and driving innovation throughout our supply chain to reduce emissions and our reliance on the earth's finite resources.

We have installed solar plants at Kumbalgodu, Alwar, Goa, and Baramati through power purchase agreements. These installations will enable us to raise our in-house renewable electricity capacity to more than 70% and will contribute around 2 million kilowatt-hours of renewable electricity per year, allowing us to save 1,600 metric tonnes of Scope 2 carbon emissions per year.

Supply chain GHG emissions We are focusing on building long-lasting partnerships with our suppliers and helping our third-party operations to join us on this journey. Rethinking our way of doing business to embed a more collaborative and circular way of sourcing our materials and services will enable us to deliver significant emission reductions.

8. Provide details related to waste management by the entity.

Parameter	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
Total Waste generated (in metric tonnes)		
Plastic waste (A)	765.90*	660.20
E-waste (B)	2.41*	0.10
Bio-medical waste (C)	2.45*	4.30
Construction and demolition waste (D)	0*	0
Battery waste (E)	5.25*	1.90
Radioactive waste (F)	0*	0
Other Hazardous waste. (Used oil, used chemical container, and used resins) (G)	27.76*	19.20
Other Non-hazardous waste generated (H). (By products of process, spent grains, broken glasses, paper wastes, metal scrapes and fly ash)	58,388.00*	64,852.50
Total (A+B + C + D + E + F + G + H)	**59,191.77**	**65,538.20**
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled		
Plastic waste (A)	765.90*	660.20
E-waste (B)	2.41*	0.10
Battery waste (E)	5.25*	1.90
Other Hazardous waste. (Used oil, used chemical container and used resins) (G)	4.16*	0.80
Other Non-hazardous waste generated (H). (By products of process, broken glasses, paper wastes, metal scrapes)	8,013.90*	6,599.10

Business Responsibility Sustainability Report (Continued)

Parameter	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
(ii) Re-used		
Other Non-hazardous waste generated (H). (By products of process, spent grains, broken glasses, paper wastes, metal scrapes and fly ash)	50,374.10*	58,253.40
(iii) Other recovery operations	0*	0
Total	**59,165.72***	**65,515.50**
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration		
Bio-medical waste (C)	2.45*	4.30
Other Hazardous waste. (Used oil, used chemical container and used resins) (G)	23*	18.30
(ii) Landfilling		
Other Hazardous waste. (Used oil, used chemical container and used resins) (G)	0.60*	0.10
(iii) Other disposal operations	0*	0
Total	**26.05***	**22.70**

Note: 1) Waste details in the table above include data pertaining to 14 Plants only.

2) The quantity of waste recycled and reused has been determined based on the market understanding and agreement with the recycler or the waste aggregator.

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Yes, Limited Assurance undertaken by Price Waterhouse & Co. Chartered Accountants LLP, for the indicators marked by * above.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your Company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

As with most products, making alcoholic beverages has the potential to generate waste at many stages of the product lifecycle. If left unmanaged, waste from our operations and supply chain has the potential to create negative environmental and social impacts, including contributing to greenhouse gas emissions, air pollution, biodiversity loss and harm to human health. Given these risks, waste is seen as a material issue for us and, like other material ESG topics, accountability for waste-related impacts sits with our Executive Committee. As part of our Society 2030: Spirit of Progress plan, we have committed to achieving zero waste in our direct operations and zero waste to landfill in our supply chain by 2030. Indeed, many of our Society 2030 targets contribute to minimizing waste: see the "Become sustainable by design" section of our website for an overview of waste and packaging-related targets and of our strategy supporting minimizing waste in our operations and supply chain. We monitor waste streams, promoting awareness of the need to increase resource efficiency. To minimize the waste we send to landfill, we work with certified waste handlers and, together, operate a hierarchy of actions: omit, reduce, reuse, recycle and dispose. We monitor levels of waste recycling and waste-to-energy recovery. For more information about our waste minimization initiatives, see our website and our Environment Policy.

Our performance against our Society 2030: Spirit of Progress targets, including those that contribute to waste minimization, are reported on a monthly and quarterly basis. Performance is reviewed at the market, regional and global level by market and regional leadership teams throughout the business, as well as at our quarterly Executive Committee and CSR & ESG Committee meetings. Compliance with our Environment Policy is measured and monitored at quarterly Supply Chain and Procurement Environmental Compliance reviews, managed by our Governance function. Our Partnering with Suppliers Standard sets out our expectations for suppliers, which includes our zero waste-to landfill commitment. For suppliers are expected to commit themselves to Diageo society 2030 targets and their

Business Responsibility Sustainability Report (Continued)

performance is tracked accordingly through periodic joint reviews. We are further enhancing our direct participation with suppliers so that we understand the waste in their operations and can collaborate with them to minimize it.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.) where environmental approvals / clearances are required, please specify details in the following format.

S. No.	Location of operations/offices	Type of operations	Whether the conditions of environmental approval / clearance are being complied with? (Y/N) If no, the reasons thereof and corrective action taken, if any
None of our operations are located near the vicinity of ecologically sensitive areas.			

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws in the current financial year.

Name and brief details of project	EIA Notification No.	Date	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
USL has not undertaken any project which requires Environmental impact assessment in financial year 2022-23					

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances.

S. No.	Specify the law / regulation / guidelines which was not complied with	Specify the law / regulation / guidelines which was not complied with	Any fines / penalties / action taken by regulatory agencies such as pollution control boards or by courts	Corrective action taken, if any
The Company is following all the environmental regulations of the country. There have been no incidents of non-compliances related to the environment in financial year 2022-23				

Leadership Indicators

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources.

In units are in TJ

Parameter	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
From renewable sources		
Total electricity consumption (A)	10*	5
Total fuel consumption (B)	806*	920
Energy consumption through other sources (C)	0*	0
Total energy consumed from renewable sources (A+B+C)	**816***	**925**
From non-renewable sources		
Total electricity consumption (D)	36*	47
Total fuel consumption (E)	12*	13
Energy consumption through other sources (F)	0*	0
Total energy consumed from non-renewable sources (D+E+F)	**48***	**60**

Note: 1) Non-Renewable electricity has been offset by the solar electricity (renewable) exported to the grid by net metering arrangement.

2) Currently, more than 70% of electricity requirements are met through in-house renewable electricity and the rest is managed

Business Responsibility Sustainability Report (Continued)

through Electricity Imported from Grid. Market based Scope 2 Emission from Purchased Electricity has been offset through International Renewable Energy Certificates (i-RECs).

3) Total electricity consumption from non – renewable sources is offset through (i-RECs) purchased subsequently.

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Yes, Limited Assurance undertaken by Price Waterhouse & Co. Chartered Accountants LLP, for the indicators marked by * above.

2. Provide the following details related to water discharged.

Parameter	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
Water discharge by destination and level of treatment (in kilolitres)		
(i) To Surface water	0*	0
- No treatment		
- With treatment – please specify level of treatment		
(ii) To Groundwater	0*	0
- No treatment		
- With treatment – please specify level of treatment		
(iii) To Seawater	0*	0
- No treatment		
- With treatment – please specify level of treatment		
(iv) Sent to third parties		
- No treatment	7,380*	5,520
- With treatment – please specify level of treatment		
(v) Others	0*	0
- No treatment		
- With treatment – please specify level of treatment		
Total water discharged (in kilolitres)	**7,380***	**5,520**

Water details considered in the table above include data pertaining to 14 Plants and 5 Offices only.

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Yes, Limited Assurance undertaken by Price Waterhouse & Co. Chartered Accountants LLP, for the indicators marked by * above.

3. Water withdrawal, consumption, and discharge in areas of water stress (in kilolitres):

For each facility / plant located in areas of water stress, provide the following information:

(i) Name of the area

Plant site

a. Alwar (Rajasthan),

b. Udaipur (Rajasthan),

c. Kumbalgodu (Bangalore- East, Karnataka)

Offices

d. Bangalore HO (Karnataka)

e. Bangalore Technical Centre (Karnataka)

f. Gurgaon Office (Haryana)

Business Responsibility Sustainability Report (Continued)

(ii) Nature of operations

Packaging of Alco Beverage products and Distillation of Extra Neutral alcohol (from Molasses and Grains), Fresh Malt Spirts and Grapes Spirits.

(iii) Water withdrawal, consumption, and discharge in the following format:

Parameter	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
Water withdrawal by source (in kilolitres)		
(i) Surface water *	4,046*	2,467
(ii) Groundwater	32,804*	37,724
(iii) Third party water	15,120*	28,526
(iv) Seawater / desalinated water	-*	-
(v) Others	-*	-
Total volume of water withdrawal (in kilolitres)	51,970*	68,717
Total volume of water consumption (in kilolitres)	51,970*	68,717
Water Intensity:		
Water intensity per rupee of turnover (Water consumed / turnover) (KL/₹ Cr)	1.88	2.23
Water discharge by destination and level of treatment (in kilolitres)		
(i) To Surface water	0	0
- No treatment	0	0
- With treatment – please specify level of treatment	0	0
(ii) To Groundwater	0	0
- No treatment	0	0
- With treatment – please specify level of treatment	0	0
(iii) To Seawater	0	0
- No treatment	0	0
- With treatment – please specify level of treatment	0	0
(iv) Sent to third-parties	0	0
- No treatment	0	0
- With treatment – please specify level of treatment	0	0
(v) Others	0	0
- No treatment	0	0
- With treatment – please specify level of treatment	0	0
Total water discharged (in kilolitres)	0	0

Note: 1) Water stress sites are classified based on the Central Ground water Boards, Ground water Resources Assessment report 2022.

2) Water details considered in the table above include data pertaining to 14 Plants and 5 Offices only.

3) Surface water includes Rainwater Harvested and used.

Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency?

Yes, Limited Assurance undertaken by Price Waterhouse & Co. Chartered Accountants LLP, for the indicators marked by * above.

Business Responsibility Sustainability Report (Continued)

4. Please provide details of total Scope 3 emissions & its intensity, in the following format:

Parameter	Unit	Financial Year 2022-23 (Current Financial Year	Financial Year 2021-22 (Previous Financial Year)
Total Scope 3 emissions (Break-up of the GHG into CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, NF_3, if available)	Kilo tonnes of CO_2 equivalent	1,606	1,591
Total Scope 3 emissions per rupee of turnover	Tonnes of CO_2e/₹ Cr	58.24	51.69

Note:
- Categories covered are: Purchased Goods and Services, Capital Goods, Waste Generated in Operations, Fuel & Energy use, Upstream & Downstream logistics, Business Travel and Employee Commuting, End-of-life treatment of Products Sold.
- The principal greenhouse gases (as CO_2e) are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O) and hydrofluorocarbons (HFCs).
- The latest industry standards and best practices were used for estimation and reporting to establish the most complete, consistent, and accurate GHG footprint as required by the GHG protocol.
- USL will progressively engage & collaborate with all value chain partners to ensure Global Warming Potential (GWPs)/ Emission factors applied are consistent to estimate Scope 3 Emission data.

5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct & indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.

Not applicable since we don't have operations located in Ecologically Sensitive area.

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

The Company has undertaken several initiatives, and also deployed innovative technologies across its operations for improving resource efficiency and minimizing environmental impact.

Sr. No.	Initiative undertaken	Details of the initiative (Web-link, if any, may be provided along-with summary)	Outcome of the initiative
1	Doubling the Solar Electricity Potential	Company has doubled its Solar Potential from 1.3 MW to 2.7 MW by installing Solar System across 4 Manufacturing Plants through Solar Power Purchase Agreement (PPA).	Avoidance of 16000mt of CO_2e per year
2	Renewable Electricity through Steam Turbine	Back pressure Steam Turbines have been installed to produce electricity from renewable fuel sources across three Manufacturing Plants.	Increase Renewable Electricity (RE) % to more than 70%.
3	Waterless Cooling system for the Process	Company has adapted waterless cooling system for the process cooling requirement which eliminate the requirement of water for cooling requirement and this proof of concept is found to be successful and will be deployed across our other business units for same application.	Reducing water requirement to the tune of 20,000 m^3 per year.
4	Dish Washer System	Dish Washer installed to conserve water during utensil cleaning at canteen at one of the factories and it will be extended across other factories.	Conserve water to the tune of 600 m^3 per annum per Factory.

Business Responsibility Sustainability Report (Continued)

7. **Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.**

   Our Corporate Security Policy outlines our four pillars of security: people security, physical security (including of our products and assets), investigations, and business continuity and crisis management. This policy is underpinned by several standards and guidelines detailing the minimum requirement to be adhered to. We operate security programs at all sites, with nominated and trained individuals responsible for the program. The level of security in each market and at each site is determined by its size, risk levels and other local requirements. Markets and sites are supported by a central team of security experts, who have regional and functional responsibility for security delivery across all our markets and the four pillars. This team runs global training – such as our online personal safety training – oversees global security communications and awareness and helps to ensure we satisfy external regulations and requirements. We take a risk-based approach to security, with a global program to identify and assess risks and produce mitigation plans. We review security risks routinely and communicate with our people around the world to raise awareness. Market adherence to Corporate Security policies and standards is continually monitored through Corporate Security reviews and audits, as well as other internal mechanisms such as audit by Control Assurance & Risk Excellance (CARE). Any adverse findings are recorded, and their remediation tracked. Global Corporate Security policies and standards are also subject to regular review – and all updates or adjustments are communicated clearly to markets and sites.

8. **Disclose any significant adverse impact to the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard.**

   All the Value chain partners assess under Sedex and SMETA assessment under 4 Pillars and Environmental Practice is part of it. No adverse impacts were discovered during this assessment.

9. **Percentage of value chain partners (by value of business done with such partners) that were assessed for environmental impacts.**

   More than 90% of our value chain partners are covered under SEDEX Assessment to identify gaps in the environmental impacts and Corrective actions tracked under on-going practice.

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

Essential Indicators:

1. a. **Number of affiliations with trade and industry chambers/ associations:** 7

   b. **List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to**

Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/ National)
International Spirits and Wines Association of India (ISWAI)	National
Confederation of Indian Industry (CII)	National
UK India Business Council (UKIBC)	National
Indian Chamber of Commerce (ICC)	National
Bengal Chamber of Commerce (BCC)	State
Karnataka Brewers and Distillers Association (KBDA)	State
Association for Liquor and Beer (ALBA), Andhra Pradesh & Telangana	State

2. **Provide details of corrective action taken or underway on any issues related to anticompetitive conduct by the entity, based on adverse orders from regulatory authorities.**

Name of Authority	Brief of the Case	Corrective action taken
Not Applicable		

Business Responsibility Sustainability Report (Continued)

Leadership Indicators:

1. Details of public policy positions advocated by the entity:

We are represented by our Industry association on policy matters that are important for Alco - Beverage sector.

Public policy advocated	Method resorted for such advocacy	Whether information available in public domain? (Yes/No)	Frequency of Review by Board (Annually/ Half yearly/ Quarterly/ Others – please specify)	Web Link, if available
Federal Engagements				
Ease of doing Business in beverage alcohol industry and reforms under SRAP state ranking	Representation through sectoral association like ISWAI and trade chambers like CII.	Yes.	Yearly	https://eodb.dpiit.gov.in/
State Engagement				
Price review in **Rajasthan**	Engagement with Excise officials and presentation of an impact assessment through ISWAI.	State Excise Policy is in public domain	Yearly	www.excise.rajasthan.gov.in
Inclusion of PET as a package for brands above a certain billing value in **Haryana**	Ongoing engagement with state excise official	State excise policy is in public domain	Yearly	www.haryanatax.gov.in
Removal of 'Best Before Date' declaration in the PET labels for non-beer brands in **Assam**	Meetings and interactions with Excise officials on the provisions of FSSAI and Assam Excise Rules that doesn't necessities printing 'Best Before Date' in the labels of PET bottles as was being followed in Assam	Yes, state Excise Rules Notice is available in public domain.	Yearly	www.excise.assam.gov.in
Karnataka – reduction of number of slabs from current 19 slabs with slab expansion and also reduce additional excise duty on premium slabs to improve consumer experience	Directly and through UKIBC, ISWAI etc.	Yes	Yearly	www.stateexcise.karnataka.gov.in
Tamil Nadu – RTM expansion for allowing foreign liquor to be available readily and improve consumer experience.	Directly and through UKIBC, ISWAI etc.	Yes	Yearly	www.tn.gov.in

Business Responsibility Sustainability Report (Continued)

Principle 8: Businesses should promote inclusive growth and equitable development.

Essential Indicators

1. **Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.**

   None of the projects undertaken by USL in financial year 2022-23 required Social Impact Assessments (SIA).

Name and brief details of project	SIA Notification No.	Date of notification	Whether conducted by independent external agency (Yes / No)	Results Communicated in public domain (Yes / No)	Relevant Web link
Not Applicable					

2. **Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:**

Name of Project for which R&R is ongoing	State	District	No. of Project Affected Families (PAFs)	% of PAFs covered by R&R	Amounts for Paid to PAFs in the financial year (In ₹)
Not Applicable					

3. **Describe the mechanisms to receive and redress grievances of the community.**

   As part of our CSR engagement with the communities, we have various forums through which community grievances can be received and addressed. Periodic and well-organized community level engagements are scheduled to reassess the evolving requirements of the community. The emerging priorities are incorporated into the development and improvement of current and future programs.

   At each of our locations, our local NGO partner acts as a medium of communication. During regular stakeholder consultations, the grievances and needs from communities are discussed and a formal written request is submitted to the NGO partner who in turn shares the same with the respective teams.

4. **Percentage of input material (inputs to total inputs by value) sourced from suppliers:**

Particulars	Financial Year 2022-23 Current Financial Year	Financial Year 2021-22 Previous Financial Year
Diverse Suppliers (Includes Women owned, Ethnic Minority and Disabled group)	6.5%	5%

Leadership Indicators

1. **Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above)**

Details of negative social impact identified	Corrective action taken
Not Applicable	

2. **Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:**

Aspirational District	Amount spent (In ₹)
Jaisalmer, Rajasthan	10,00,000
Nanded, Maharashtra	3,15,24,950

Business Responsibility Sustainability Report (Continued)

3. (a) **Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalized /vulnerable groups?** (Yes/No)

   Yes

   (b) **From which marginalized /vulnerable groups do you procure?**

   As per our sustainable Procurement Policy, preference will be given to Women owned business, ethnic minorities and Business lead by differently abled group would be given preference.

   USL, is committed to promoting diversity, inclusion, and equality in its supply chain as per our target of "Society 2030" which is laid down in our "partnering with supplier" code. We champion inclusion and diversity for a better business and a better world through our brands, in our industry, across our value chain, and in the communities where we live, work, source and sell.

   We have targets in the supply chain. These targets are aligned with the company's values and objectives and may include increasing the representation of marginalized and vulnerable groups, promoting women's empowerment, and improving the representation of minority groups. A diverse supplier for USL is defined as a company that is at least 51% owned and operated by one or more individuals belonging to any traditionally underrepresented minority group: women, people with disabilities, LGTBQIA+, ethnic minorities or any other underrepresented group.

   (c) **What percentage of total procurement (by value) does it constitute?**

Particulars	Financial Year 2022-23 (Current Financial Year)	Financial Year 2021-22 (Previous Financial Year)
% of Business give to Women owned business, ethnic minorities and Business lead by differently abled group	6.7%	5%

4. **Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge:**

Sl. No.	Intellectual Property based on traditional knowledge	Owned/ Acquired (Yes/No)	Benefit shared (Yes/No)	Basis of calculating benefit share
Not Applicable. We do not use any traditional knowledge				

5. **Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.**

Name of authority	Brief of the Case	Corrective action taken
Not Applicable. We do not use any traditional knowledge.		

6. **Details of beneficiaries of CSR Projects:**

CSR Project	No. of persons benefitted from CSR Projects	% of beneficiaries from vulnerable and marginalized groups
Promote Positive Drinking: "Act Smart India", A programme to educate stakeholders in the age group of 13-17 years on the dangers of Underage consumption	1,14,543	100%
Promote Positive Drinking: "Wrong Side of the Road", A Programme to create awareness on Anti drink drive amongst consumers	2,34,807	The beneficiaries include consumers who are above legal drinking age including men, women, and elderly.
Learning for Life: A business and hospitality skills programme	1,784	100%

Business Responsibility Sustainability Report (Continued)

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.

Essential Indicators

1. **Describe the mechanisms in place to receive and respond to consumer complaints and feedback.**

   Diageo India (USL) is having robust customer complaint handling process to receive and address consumer concerns related to our product.

   At Diageo India (USL) we have details of our customer care executive on our packs for consumers to register their complaints. Consumer can raise their concern to USL by calling on our Toll-free No. 1800-425-2433 or through CUSTOMERCARE@UNITEDSPIRITS.IN. We manage our customer care centre through third party and its operational all working days (except Public Holiday) with support of Live agent caller form morning 10.00 am to 12.00 am and from 12.00 am to Morning 10.00 am. We have opened IVR for consumer to connect and raise their concern.

   We register all complaints on our SAP based complaint portal and this is a real time visibility portal. Our Customer care team shall send acknowledgement of the complaint to the customer as per SLA i.e., within 24 hours of initial contact either by mail or phone call. Next course of action will be communicated to the customer in the acknowledgment.

   Post Registration of complaint USL internal team will take further action and resolve customer concern at the earliest. The team would ensure that sample is collected from consumer who has raised concern for investigation. Investigation result will be communicated to consumer and concern will be addressed as per our consumer policy.

2. **Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:**

Particulars	As a percentage of total turnover
Environmental and social parameters relevant to the product	100% of Our Product will carry the information as "Consumption of alcohol is injurious to health" to provide warning message to consumer.
Safe and responsible usage	
Recycling and/or safe disposal	100% All our Plastic Container used for Packaging will carry the Embossed Symbol of recyclability.

3. **Number of consumer complaints in respect of the following:**

Particulars	FY 2022-23 (Current Financial Year)		Remarks	FY 2021-22 (Previous Financial		Remarks
	Received during year	Pending resolution at the year end		Received during year	Pending resolution at the year end	
Data Privacy	197	20*	-	117	-	-
Advertising	-	-	-	-	-	-
Cyber Security	-	-	-	-	-	-
Delivery of essential services	-	-	-	-	-	-
Restrictive Trade Practices	-	-	-	-	-	-
Unfair Trade Practices	-	-	-	-	-	-

*Note: The Pending complaints were reported during last month of the year which is currently under resolution.

4. **Details of instances of product recalls on account of safety issues:**

Particulars	Number	Reasons for Recall
Voluntary recalls	0	0
Forced recalls	0	0

Business Responsibility Sustainability Report (Continued)

5. **Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.**

   Yes, which can be provided on request.

6. **Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.**

   No such Incidents and hence it is not applicable.

Leadership Indicators

1. **Channels / platforms where information on products and services of the entity can be accessed (Provide web link, if available)**

   https://www.diageoindia.com/en

2. **Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.**

   Our commitment to promoting positive drinking is a core pillar of our 'Society 2030: Spirit of Progress' action plan. We want to change the way the world drinks for the better. That means promoting moderation and continuing to address the harmful use of alcohol by changing attitudes and expanding our programmes that tackle underage drinking, drink driving and binge drinking. As a CSR initiative, we are implementing the following programmes:

   - Wrong Side of the Road: A programme to create awareness about anti drink drive amongst consumers.
   - Act Smart India: A programme to educate young people on the dangers of underage consumption.
   - DrinkIQ: Promoting moderation.

     In addition, there is consumer awareness information available on the labels of every bottle as prescribed by the law.

3. **Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.**

   We will notify you through our website i.e., www.diageoindia.com of any disruption/discontinuation of essential services.

4. **Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable)**

   The entity follows all the applicable regulation w.r.t. display of product information.

   If yes, provide details in brief. Did your entity carry out any survey regarding consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

   Yes. Your Company conducts various research to make sure the best in class offer goes in the market; and also, there is a regular survey in place to track consumer feedback on brand equity metrics. We use multiple and different research methodologies across quantitative and qualitative, a mix of online and face-to-face to evaluate blends, packs, communication for our core brands, overall consumer sentiment, culture understanding, consumption and recruitment, social listening, and ongoing measurement and evaluation of the performance and effectiveness of our brand, marketing, and innovation activities in the market.

5. **Provide the following information relating to data breaches:**

   a. Number of instances of data breaches along-with impact - 0

   b. Percentage of data breaches involving personally identifiable information of customers – N/A

Business Responsibility Sustainability Report (Continued)

Independent practitioner's limited assurance report on Identified Sustainability Indicators in United Spirits Limited (USL)'s Business Responsibility and Sustainability Report

To the Members and Board of Directors of United Spirits Limited (USL)

We have undertaken to perform limited assurance engagement for United Spirits Limited (USL) (the 'Company') vide our Engagement Letter dated 25th April 2023 in respect of the agreed indicators/parameters listed below (the "Identified Sustainability Indicators"). These indicators/ parameters are as included in the Business Responsibility and Sustainability Report (BRSR) of the Company for the year ended March 31, 2023; the reporting boundary being as disclosed in Question 13 of Section A of the BRSR, with exceptions if any been disclosed as a note under the respective questions under BRSR.

Identified Sustainability Indicators

The Identified Sustainability Indicators for the year ended March 31, 2023 are summarized in Appendix 1 to this report.

Our limited assurance engagement was with respect to the year ended March 31, 2023 information only and we have not performed any procedures with respect to earlier periods or any other elements included in the BRSR and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by the company is the 'Guidance note for BRSR format' (referred to as the 'Criteria').

Management's Responsibility

The Company's Management is responsible for identification of key aspects, engagement with stakeholders, content and presentation of the Business Responsibility and Sustainability Report in accordance with the Criteria mentioned above. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Business Responsibility and Sustainability Report and measurement of Identified Sustainability Indicators, which are free from material misstatement, whether due to fraud or error.

Inherent limitations

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. In addition, greenhouse gas "GHG" quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emission factors and the values needed to combine emissions of different gases.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Identified Sustainability Indicators, based on the procedures we have performed and evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance Engagements On Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board (IAASB). These standards require that we plan and perform this engagement to obtain limited assurance about whether the Identified Sustainability Indicators are free from material misstatement.

A limited assurance engagement involves assessing the suitability in the circumstances of the Company's use of the Criteria as the basis for the preparation of the Identified Sustainability Indicators, assessing the risks of material misstatement of the Identified Sustainability Indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Identified Sustainability Indicators.

Business Responsibility Sustainability Report (Continued)

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above, we:

- Obtained an understanding of the identified sustainability indicators and related disclosures.
- Obtained an understanding of the assessment criteria and their suitability for the evaluation and /or measurements of the identified sustainability indicators.
- Made enquiries of Company's management, including the various teams such as Sustainability team, Corporate Social Responsibility (CSR) Team, etc., and those with responsibility for managing Company's BRSR.
- Performed understanding and evaluation of the design of the key structures, systems, processes and controls for managing, recording and reporting on the Identified Sustainability Indicators including at the sites visited.
- Checked the consolidation for various sites and corporate offices under the reporting boundary for ensuring the completeness of data being reported.
- Performed limited substantive testing on a selective basis of the Identified Sustainability Indicators at sample sites visited (Baramati, Goa, Nanded), to check that data had been appropriately measured with underlying documents recorded, collated and reported.
- Assessed the level of adherence to 'Guidance note for BRSR format' followed by the Company in preparing the BRSR.
- Assessed the BRSR for detecting, on a test basis, any major anomalies between the information reported in the BRSR on performance with respect to agreed Indicators/ parameters and relevant source data/information.
- Obtained representations from Company's Management.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Identified Sustainability Indicators have been prepared, in all material respects, in accordance with the Criteria.

Exclusions

Our limited assurance scope excludes the following and therefore we do not express a conclusion on the same:

- Testing the operating effectiveness of management systems and controls;
- Performing any procedures over other information/operations of the company/aspects of the report and data (qualitative or quantitative) included in the BRSR not agreed under our engagement letter/ Scope of Assurance
- The statements that describe expression of opinion, belief, aspiration, expectation, aim or future intentions provided by the Company and testing or assessing any forward-looking assertions and/or data.

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Company's Identified Sustainability Indicators included in the Business Responsibility and Sustainability Report for the year ended March 31, 2023 are not prepared, in all material respects, in accordance with the criteria.

Business Responsibility Sustainability Report (Continued)

Restriction on Use

Our limited assurance report has been prepared and addressed to the Board of Directors of the Company at the request of the company solely to assist the company in reporting on the Company's Sustainability performance and activities. Accordingly, we accept no liability to anyone, other than the Company. Our deliverables should not be used for any other purpose or by any person other than the addressees of our deliverables. The Firm neither accepts nor assumes any duty of care or liability for any other purpose or to any other party to whom our Deliverables are shown or into whose hands it may come without our prior consent in writing.

For Price Waterhouse & Co. Chartered Accountants LLP
Firm Registration No: FRN 304026E/E-300009

Heman Sabharwal
Partner
Membership Number: 093263
UDIN: 23093263BGWPNB2823

Place: Gurgaon
Date: May 19, 2023

Business Responsibility Sustainability Report (Continued)

Appendix 1

Identified Sustainability Indicators

Sr. No.	BRSR indicator reference ('E' indicates Essential Indicator & 'L' indicates Leadership Indicator)	Description of indicator
1	Section C – Principle 3 – E11	Details of safety related incidents
2	Section C – Principle 6 – E1	Details of total energy consumption*
3	Section C – Principle 6 – E3	Total volume of water withdrawal & water consumption*
4	Section C – Principle 6 – E6	GHG Emissions (Scope 1 & Scope 2)*
5	Section C – Principle 6 – E8	Total Waste generated, recovered & disposed
6	Section C – Principle 6 – L1	Total energy consumed from renewable and non-renewable sources
7	Section C – Principle 6 – L2	Water discharge by destination and level of treatment
8	Section C – Principle 6 – L3	Water withdrawal, consumption and discharge in areas of water stress*

*Note: Excludes intensity related indicators

Independent Auditor's Report

To the Members of United Spirits Limited

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the accompanying standalone financial statements of United Spirits Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2023, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2023, total comprehensive income (comprising of profit and other comprehensive loss), changes in equity and its cash flows for the year then ended.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act . Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Standalone Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters:

4. We draw attention to the following matters:

   a) Note 40(a) to the Standalone Financial statements which explains the uncertainties post completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional matters, the then MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's erstwhile non-executive Chairman and other potentially improper transactions. Post the completion of Additional Inquiry certain regulatory notices and communications were received from Securities Exchange Board of India, Directorate of Enforcement and Authorised Dealer banks ('AD') to which the Company has responded. Subsequently, the Company commenced the rationalisation process for divestment/ liquidation/ merger of certain overseas subsidiaries including step down subsidiaries and completion of the above Rationalisation process is subject to regulatory approvals in India and overseas. The Company filed suits for recovery of certain amounts against relevant parties and individuals identified in the Additional Inquiry including excess managerial remuneration paid to the former Executive Director and CFO which have been fully provided for or recognised as expense in prior years. The management is currently unable to estimate the financial impact on the Company, if any, arising out of potential non compliances with applicable laws as above.

   b) Note 40(d) to the Standalone Financial Statements, which describes the uncertainty relating to the final outcome of litigations with a bank ("the bank") that continues to retain the pledge of certain assets of the Company and of the Company's shares held by USL Benefit Trust (of which the Company is the sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of ₹459 million demanded by the bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). Based on management assessment supported by external legal opinions, the Company has disclosed the aforesaid amount of ₹459 million under Other Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. In a separate proceeding before the Debt Recovery Appellate Tribunal, the bank's appeal against the judgement awarded by Debt Recovery Tribunal in favour of the Company in respect of attachment of the aforesaid pledged shares for recovery of the loans advanced by the bank to Kingfisher Airlines Limited is pending disposal.

Independent Auditor's Report (Continued)

c) As explained in Note 49 to the Standalone Financial Statements, the scheme for amalgamation of Pioneer Distilleries Limited with the Company was approved by the National Company Law Tribunal (NCLT) on November 4, 2022, with an appointed date of April 1, 2021. The Company has accounted for the amalgamation as per the accounting treatment specified in the scheme in accordance with Appendix C of Ind AS 103, *Business Combinations of entity under common control and, accordingly,* the comparative balances presented for the previous year in the Standalone Financial Statements have been restated.

Our opinion is not modified in respect of the matters described under paragraph 4 above.

Key audit matters

5. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of the appropriateness of provisions recognised and contingent liabilities disclosed in respect of certain tax matters. (Refer Notes 8, 17 and 42 to the standalone financial statements) As at March 31, 2023, the Company has significant tax exposures and is subject to periodic assessments/ demands by tax authorities on transfer pricing, income tax and a range of indirect tax matters. Consequent to such tax assessments and demands relating to past several years, the Company has paid certain amounts under protest at various dates. The Company has also filed appeals with various appellate authorities against such demands. Management judgement is involved in assessing the likelihood of ultimate outcome of the tax disputes to decide on the accounting/ disclosure requirements. For certain complex matters the probable amount of the cash outflow determined by the Management is supported by opinions obtained from external tax counsels/ assessment performed by internal experts (management tax experts). We considered this a key audit matter as: • The amounts involved are significant to the standalone financial statements; • Change in the management's judgements and estimates may significantly affect the provisions recognised or contingent liabilities disclosed; and • Matters of disputes are complex in some cases due to the nature of the industry in which the Company operates and are subject to interpretations under tax laws.	Our audit procedures included the following: • Understood, assessed and tested the design and operating effectiveness of the Company's controls for identifying potential tax exposures and/ or the accounting and disclosures thereof. • Evaluated the related accounting policy for recognising provisions for tax exposures and disclosure of contingent liabilities with the requirements of the relevant accounting standards. • Obtained management's assessment in respect of tax demands on whether cash outflow is either probable, possible or remote. • Evaluated management's assessment with the help of auditors' experts, where necessary, as follows: - For the samples selected, read the correspondences received during the year from the tax authorities/ orders from the appellate authorities. - Read and assessed the views provided by the management/ management tax experts as applicable. - Assessed management's position on significant tax exposures in accordance with the tax laws and past precedents of tax judgements. - Assessed completeness of litigations by inquiring with the management, and perusal of Board minutes. - Evaluated the objectivity, independence, competence and capabilities of the management tax experts. - Evaluated the adequacy of the disclosures made in the standalone financial statements. Based on the above procedures, we considered the management's assessment in recognising the provisions and disclosing contingent liabilities in respect of the stated tax matters, as reasonable.

Independent Auditor's Report (Continued)

Other Information

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

7. Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the standalone financial statements

9. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act.

   This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

10. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the standalone financial statements

11. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

12. As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

    a) Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.

    c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report (Continued)

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

16. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

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

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

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

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

(d) In our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors as on March 31, 2023, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023, from being appointed as a director in terms of Section 164(2) of the Act.

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

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

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements. (Refer Notes 8, 17, 40(c), 40(d) and 42 to the standalone financial statements)

ii. The Company was not required to recognise a provision as at March 31, 2023 under the

Independent Auditor's Report (Continued)

applicable law or accounting standards, as it does not have any material foreseeable losses on long-term contracts. The Company did not have any derivative contracts as at March 31, 2023. (Refer Note 39 to the standalone financial statements)

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year. (Refer Note 16 to the standalone financial statements)

iv. (a) The management has represented that, to the best of its knowledge and belief, no funds which are material either individually or in aggregate have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer Note 51(vii) to the standalone financial statements);

(b) The management has represented that, to the best of its knowledge and belief, no funds which are material either individually or in aggregate have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer Note 51(vii) to the standalone financial statements); and

(c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clauses (a) and (b) contain any material misstatement.

v. The Company has not declared or paid any dividend during the year.

vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 (as amended), which provides for books of account to have the feature of audit trail, edit log and related matters in the accounting software used by the Company, is applicable to the Company only with effect from financial year beginning April 1, 2023, the reporting under clause (g) of Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), is currently not applicable.

18. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

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

Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 23057687BGVGAK4135

Place: Mumbai
Date: May 18, 2023

Annexure A to Independent Auditor's Report

Referred to in paragraph 17(f) of the Independent Auditor's Report of even date to the members of United Spirits Limited on the Standalone Financial Statements for the year ended March 31, 2023

Report on the Internal Financial Controls with reference to Standalone Financial Statements under clause (i) of sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to standalone financial statements of United Spirits Limited ("the Company") as of March 31, 2023 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

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

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

Meaning of Internal Financial Controls with reference to standalone financial statements

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

Inherent Limitations of Internal Financial Controls with reference to standalone financial statements

7. Because of the inherent limitations of internal financial controls with reference to standalone financial statements, including

Annexure A to Independent Auditor's Report (Continued)

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

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI.

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

Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 23057687BGVGAK4135

Place: Mumbai
Date: May 18, 2023

Annexure B to Independent Auditor's Report

Referred to in paragraph 16 of the Independent Auditor's Report of even date to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2023.

i. (a) (A) The Company is maintaining proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(B) The Company is maintaining proper records showing full particulars of intangible assets.

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

(c) The title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the Company), as disclosed in Notes 3.1, 3.2 and 3.6 to the standalone financial statements, are held in the name of the Company, except as disclosed in Appendix II.

(d) The Company has chosen cost model for its property, plant and equipment (including right of use assets) and intangible assets. Consequently, the question of our commenting on whether the revaluation is based on the valuation by a Registered Valuer, or specifying the amount of change, if the change is 10% or more in the aggregate of the net carrying value of each class of property, plant and equipment (including right of use assets) or intangible assets does not arise.

(e) Based on the information and explanations furnished to us, no proceedings have been initiated on or are pending against the Company for holding benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) (formerly the Benami Transactions (Prohibition) Act, 1988 (45 of 1988)) and Rules made thereunder, and therefore the question of our commenting on whether the Company has appropriately disclosed the details in its standalone financial statements does not arise.

ii. (a) The physical verification of inventory has been conducted at reasonable intervals by the Management during the year and, in our opinion, the coverage and procedure of such verification by Management is appropriate. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not 10% or more in aggregate for each class of inventory.

(b) During the year, the Company has not been sanctioned working capital limits in excess of ₹50 million, in aggregate from banks and financial institutions on the basis of security of current assets and, accordingly, the question of our commenting on whether the quarterly returns or statements are in agreement with the unaudited books of account of the Company does not arise.

iii. (a) The Company has made investment in equity shares and compulsory convertible preference shares issued by an associate, twenty one mutual fund schemes, non-convertible debentures issued by two companies, granted a secured loan to one company, granted unsecured loans to employees, granted loans to two subsidiary companies and issued a bank guarantee on behalf of a wholly owned subsidiary. The aggregate amount during the year, and balance outstanding at the balance sheet date with respect to such loan to subsidiaries, investment in an associate, investment in mutual fund schemes, investment in non-convertible debentures, loans to parties other than subsidiaries and a bank guarantee issued on behalf of a wholly owned subsidiary are as per the table given below:

Description	Amount in ₹ million
Aggregate amount granted/ provided during the year	
- Investment in an associate	315
- Loans to Subsidiaries	3,263
- Loans to employees	14
- Investment in mutual fund schemes	84,860
- Bank guarantee issued on behalf of a wholly owned subsidiary	901
- Others	
- Investment in Non-convertible debentures	309
- Secured loan	80
Balance outstanding as at March 31, 2023 in respect of the above:	
- Investment in an associate	315
- Loans to Subsidiaries	924
- Loan to employees	8
- Investment in mutual fund schemes	2,397
- Others	
- Investment in Non-convertible debentures	161
- Secured loan	80

Also, refer Notes 4.1, 4.2, 5 and 36 to the standalone financial statements.

Annexure B to Independent Auditor's Report (Continued)

(b) In respect of the aforesaid loans granted, investments made and guarantees provided, the terms and conditions under which such loans were granted, investments were made and guarantees provided are not prejudicial to the Company's interest.

(c) In respect of the loans, as disclosed in Note 5 to the standalone financial statements, the schedule of repayment of principal and payment of interest has been stipulated by the Company except for the following instances set out in the table below. Therefore, in the absence of stipulation of repayment terms, we are unable to comment on the regularity of repayment of principal and payment of interest.

(Amount in ₹ million)

Name of the entity	Gross outstanding as at March 31, 2023	Net outstanding as at March 31, 2023
Asian Opportunities and Investments Limited	590	-
USL Holdings UK Ltd	140	-

The repayment of principal and payment of interest is not regular with respect to the loans set out in the table below:

Name of the entity	Amount in ₹ million	Due Date	Extent of delay	Remarks
United Breweries Holding Limited and a related entity	12,378	One third of the loan was to be repaid on July 2 2019, July 2, 2020 and July 2, 2021	1 year and 9 months to 3 years and 9 months	Refer Notes 5 and 40(c) to the standalone financial statements

(d) In respect of the following loan the total amount overdue for more than ninety days as at March 31, 2023 is ₹12,378 million. In our opinion, reasonable steps have been taken by the Company for the recovery of the principal amounts and interest thereon. Refer Notes 5 and 40(c) to the standalone financial statements.

No. of cases	Principal amount overdue in ₹ million	Interest overdue in ₹ million	Total overdue in ₹ million	Remarks
One	11,532	846	12,378	Refer Notes 5 and 40(c) to the standalone financial statements

(e) Following loans were granted to the below mentioned party which has fallen due during the year and were renewed/extended. Further, in respect of following loans, fresh loans were granted to settle the overdue loans.

Name of the party	Aggregate amount dues renewed or extended or settled by fresh loans in ₹ million	Percentage of the aggregate to the total loans or advances in the nature of loans granted during the year
Royal Challengers Sports Private Limited	811	24%

Also refer Note 5 to the standalone financial statements.

Annexure B to Independent Auditor's Report (Continued)

(f) The loans and advances in nature of loans granted during the year, had stipulated the scheduled repayment of principal and payment of interest and the same were not repayable on demand. There were no loans granted during the year to the promoters.

iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of the guarantees issued, loans and investments made. The Company has not provided any security to parties covered under Sections 185 and 186 of the Act.

v. The Company has not accepted any deposits or amounts which are deemed to be deposits referred in Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of goods and services tax, sales tax and value added tax, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, profession tax, income tax, duty of customs, duty of excise and other material statutory dues, as applicable, with the appropriate authorities. Also, refer Note 42(d) to the standalone financial statements regarding management's assessment on certain matters relating to provident fund.

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income tax, sales tax, value added tax, service tax, duty of customs, duty of excise, local body tax and entry tax as at March 31, 2023 which have not been deposited on account of a dispute are disclosed in Appendix I to this report. There have been no dues of goods and services tax, employees' state insurance and profession tax which have not been deposited on account of a dispute.

viii. According to the information and explanations given to us and the records of the Company examined by us, there are no transactions in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

ix. (a) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest to any lender during the year.

(b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared Wilful Defaulter by any bank or financial institution or government or any government authority.

(c) According to the records of the Company examined by us and the information and explanations given to us, the Company has not obtained any term loans.

(d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the standalone financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.

(e) According to the information and explanations given to us and on an overall examination of the standalone financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries or an associate company. The Company has no joint ventures.

(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries or an associate company. The Company has no joint ventures.

x. (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the reporting under clause 3(x)(a) of the Order is not applicable to the Company.

Annexure B to Independent Auditor's Report (Continued)

(b) The Company has not made any preferential allotment or private placement of shares or fully or partially or optionally convertible debentures during the year. Accordingly, the reporting under clause 3(x)(b) of the Order is not applicable to the Company.

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

(b) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, a report under Section 143(12) of the Act, in Form ADT-4, as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 was not required to be filed with the Central Government. Accordingly, the reporting under clause 3(xi)(b) of the Order is not applicable to the Company.

(c) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, the Company has received whistle-blower complaints during the year, which have been considered by us for any bearing on our audit and reporting under this clause. As explained by the management, there were certain complaints in respect of which investigations are ongoing as on the date of our report and hence, the impact on our audit report in respect of those complaints cannot be determined at this stage.

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

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standard 24 "Related Party Disclosures" specified under Section 133 of the Act.

xiv. (a) In our opinion and according to the information and explanation given to us, the Company has an internal audit system commensurate with the size and nature of its business.

(b) The reports of the Internal Auditor for the period under audit have been considered by us.

xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the reporting on compliance with the provisions of Section 192 of the Act under clause 3(xv) of the Order is not applicable to the Company.

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

(b) The Company has not conducted non-banking financial or housing finance activities during the year. Accordingly, the reporting under clause 3(xvi)(b) of the Order is not applicable to the Company.

(c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, the reporting under clause 3(xvi)(c) of the Order is not applicable to the Company.

(d) Based on the information and explanations provided by the management of the Company, the Group does not have any CICs, which are part of the Group. We have not, however, separately evaluated whether the information provided by the management is accurate and complete. Accordingly, the reporting under clause 3(xvi)(d) of the Order is not applicable to the Company.

xvii. The Company has not incurred any cash losses in the financial year or in the immediately preceding financial year.

xviii. There has been no resignation of the statutory auditors during the year and accordingly the reporting under clause (xviii) is not applicable.

xix. According to the information and explanations given to us and on the basis of the financial ratios (Also refer Note 51(xiv) to the standalone financial statements), ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the standalone

Annexure B to Independent Auditor's Report (Continued)

financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date will get discharged by the Company as and when they fall due.

xx. (a) In respect of other than ongoing projects, as at balance sheet date, the Company does not have any amount remaining unspent under Section 135(5) of the Act. Accordingly, reporting under clause 3(xx)(a) of the Order is not applicable.

(b) The Company has transferred the amount of Corporate Social Responsibility remaining unspent under sub-section (5) of Section 135 of the Act pursuant to ongoing projects to a special account in compliance with the provision of sub-section (6) of Section 135 of the Act. Also, refer Note 45 to the standalone financial statements.

xxi. The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of standalone financial statements. Accordingly, no comment in respect of the said clause has been included in this report.

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

Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 23057687BGVGAK4135

Place: Mumbai
Date: May 18, 2023

Annexure B to Independent Auditor's Report (Continued)

Appendix I – Particulars of Tax dues not deposited on account of a dispute

Referred to in paragraph vii(b) of Annexure B to the Independent Auditor's Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2023

Name of the statute	Nature of dues	Disputed amount (₹ millions)	Amount paid (₹ millions)	Unpaid Amount (₹ millions)	Financial year to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	372	351	21	2005-06, 2009-10	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	27,964	5,869	22,095	1988-89, 1989- 90, 1991-92 to 1993-94, 1995-96, 2000-01, 2005-06 to 2008-09, 2014-15 to 2017-18	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	10,946	2,756	8,190	1985-86 to 2004-05, 2006-07 to 2008-09, 2011-12 to 2013-14	High Courts of various states
Customs Act, 1962	Custom Duty	0 #	-	0 #	1997-98	Commissioner of Customs
Service Tax - Finance Act, 1994	Service Tax	1,344	0 #	1,344	2006-07 to 2015-16	Commissioner of Service Tax
Service Tax - Finance Act, 1994	Service Tax	901	43	858	2004-05 to 2010-11, 2014 -15 to 2017- 18	Customs Excise and Service Tax Appellate Tribunal
Service Tax - Finance Act, 1994	Service Tax	1,242	-	1,242	2000-01, 2007-08 to 2011-12	High Courts of Kerala and Karnataka
Central Excise Act, 1944	Central Excise Duty	392	14	378	1994-95, 2012-13 to 2017-18	Commissioner of Central Excise
Central Excise Act, 1944	Central Excise Duty	1,598	60	1,538	1997-98 to 2003-04	Customs Excise and Service Tax Appellate Tribunal
West Bengal Sales Tax Act, 1994	Sales Tax/ Value Added Tax	767	-	767	2002-03, 2014-15 to 2017-18	Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	48	2	46	1993-96, 2002-03 to 2007-08, 2018-19 to 2020-21	Commercial Tax Officer
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	167	50	117	1994-95 to 1996-97, 2005-06 to 2006-07, 2009-10 to 2013-14, 2015-16 to 2017-18	Assistant Commissioner of Commercial Taxes

'0' indicates that the amounts involved are below ₹ five lakhs and the sign '-' indicates that amounts are Nil.

Annexure B to Independent Auditor's Report (Continued)

Name of the statute	Nature of dues	Disputed amount (₹ millions)	Amount paid (₹ millions)	Unpaid Amount (₹ millions)	Financial year to which the amount relates	Forum where the dispute is pending
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	67	1	66	2004-05, 2006-07 to 2011-12, 2013-14, 2015-16 to 2016-17, 2018-19 to 2019-20	Additional Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	559	140	419	1985-86, 2006-07 to 2008-09, 2010-11 to 2018-19	Deputy Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	3,207	600	2,607	2000-01 to 2001-02 to 2003-04 to 2018-19	Joint Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	194	8	186	1990-91, 1992-93 to 1993-94, 1995-96 to 2000-01, 2004-05	Commercial Taxes Appellate Tribunal
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	49	-	49	1993-94, 2003-04, 2005-06, 2017-18	Commercial Taxes Appellate Tribunal and Revisionary Board
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	208	147	61	1978-79 to 1984-85, 1988-89 to 1989-90, 1992-93 to 1994-95, 1996-97 to 2001-02, 2007-08, 2009-10 to 2011-12	High Courts of various states
Various Entry Tax Acts, Local Body Tax and Octroi Duty	Entry Tax/ Local Body Tax	5	2	3	1989-90, 2015-16	Assessing Officer
Various Entry Tax Acts, Local Body Tax and Octroi Duty	Entry Tax/ Local Body Tax	9	-	9	2014-15, 2015-16	Assistant Commissioner of Commercial Taxes
Various Entry Tax Acts, Local Body Tax and Octroi Duty	Entry Tax/ Local Body Tax	17	11	6	2007-08 to 2009-10, 2011-12 to 2015-16	Joint Commissioner of Commercial Taxes
Various Entry Tax Acts, Local Body Tax and Octroi Duty	Entry Tax/ Local Body Tax	42	27	15	1987-88, 2000-01, 2004-05, 2007-08	Commercial Taxes Appellate Tribunal
Various Entry Tax Acts, Local Body Tax and Octroi Duty	Entry Tax/ Local Body Tax	48	15	33	2005-06, 2007-08 to 2013-14	High Courts of various states
Various Entry Tax Acts, Local Body Tax and Octroi Duty	Entry Tax/ Local Body Tax/Octroi Duty	41	14	27	1997-98, 2003-04 to 2007-08	Supreme Court

'0' indicates that the amounts involved are below ₹ five lakhs and the sign '-' indicates that amounts are Nil.

Annexure B to Independent Auditor’s Report (Continued)

Name of the statute	Nature of dues	Disputed amount (₹ millions)	Amount paid (₹ millions)	Unpaid Amount (₹ millions)	Financial year to which the amount relates	Forum where the dispute is pending
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	13	-	13	1993-94	Civil Court, West Bengal
Various State Excise Acts	State Excise	26	-	26	2010-11 to 2017-18	Superintendent of State Excise
Various State Excise Acts	State Excise	188	36	152	2019-20	Deputy Superintendent of State Excise
Various State Excise Acts	State Excise	84	33	51	2001-02, 2002-03, 2015-16	Principal Secretary Excise
Various State Excise Acts	State Excise	141	45	96	1963-64 to 1972-73, 1974-75 to 1991-92, 1993-94, 1995-96, 1998-99, 2000-01, 2011-12, 2014-15, 2015-16, 2022-23	Commissioner of State Excise
Various State Excise Acts	State Excise	7	-	7	1994-95, 2001-02, 2007-08	State Taxation Tribunals
Various State Excise Acts	State Excise	283	109	174	1972-73, 1973-74, 1980-81, 1982-83, 1997-98, 1998-99, 2001-02, 2002-03, 2010-11, 2012-13 to 2015-16, 2018-19	High Courts of various states
Various State Excise Acts	State Excise	1,504	84	1,420	1971-72, 1992-93, 1996-97, 2002-03, 2004-05, 2012-13	Supreme Court
Other Litigations	Stamp Duty	35	-	35	2019-20	Commissioner
Other Litigations	Stamp Duty	10	-	10	1999-2000	High Court
Other Litigations	Property tax	5	-	5	2019-20	High Court

‘0’ indicates that the amounts involved are below ₹ five lakhs and the sign ‘-’ indicates that amounts are Nil.

Annexure B to Independent Auditor's Report (Continued)

Appendix II – Title deeds not in the name of the Company

Referred to in paragraph i(c) of Annexure B to the Independent Auditor's Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2023

The title deeds of immovable properties not held in the name of the Company are as below:

Description of property	Held in the name of	Gross carrying value (₹ millions)	Whether promoter, director or their relative or employee	Period held- indicate range, where appropriate	Reason for not being held in name of Company
Building in the state of Karnataka	Refer Note 1	339	No	12 years	Refer Note 1 below
Building in the state of Maharashtra	Shaw Wallace & Company Limited	0 #	No	15 years	Refer Note 2 below
Freehold land in Gujarat	Herbertsons Limited	0 #	No	17 years	Refer Note 2 below
Freehold land in Madhya Pradesh	Vitari Distillery Pvt Ltd	5	No	22 years	Refer Note 2 below
Freehold land in Maharashtra	Herbertsons Limited	271	No	17 years	Refer Note 2 below
Freehold land in Maharashtra	Pioneer Distilleries Limited	240	No	1 year	Refer Note 2 below
Freehold land in Maharashtra	Maharashtra Distilleries Limited	10	No	17 years	Refer Note 2 below
Freehold land in Odisha	Poonam Distillery Limited	7	No	17 years	Refer Note 2 below
Freehold land in Punjab	VRV Breweries and Bottling Industries Limited	24	No	17 years	Refer Note 2 below
Freehold land in Rajasthan	Udaipur Distillery Co. Limited	22	No	22 years	Refer Note 2 below
Freehold land in Uttar Pradesh	Carew Phipson Ltd	48	No	27 years	Refer Note 2 below
Freehold land in Uttar Pradesh	Ganges Soap Works Private Limited	0 #	No	17 years	Refer Note 2 below
Freehold land in West Bengal	Bengal Distilleries Co Ltd	0 #	No	14 years	Refer Note 2 below
Freehold land in West Bengal	Serampore Distillery and Chemical Company Limited	9	No	22 years	Refer Note 2 below
Freehold land in West Bengal	Shaw Wallace Distilleries Limited	10	No	17 years	Refer Note 2 below
Freehold land in West Bengal	Jointly Held	15	No	17 years	Refer Note 7 below

'0' # '0' indicates that the amounts involved are below ₹ five lakhs.

Annexure B to Independent Auditor's Report (Continued)

Description of property	Held in the name of	Gross carrying value (₹ millions)	Whether promoter, director or their relative or employee	Period held- indicate range, where appropriate	Reason for not being held in name of Company
Leasehold land in Madhya Pradesh	Shaw Wallace Distilleries Limited	10	No	17 years	Refer Note 2 below
Leasehold land in Rajasthan	Udaipur Distillery Co. Limited	12	No	22 years	Refer Note 2 below
Freehold land in Karnataka	Pampasar Distillery Limited	92	No	17 years	Refer Note 2 and Note 3 below
Freehold land in Telangana	Shaw Wallace & Company Limited	630	No	14 years	Refer Note 2 and Note 3 below
Freehold land in Uttar Pradesh	Central Distillery and Chemical Works Ltd	50	No	17 years	Refer Note 2 and Note 3 below
Freehold land in West Bengal	Carew Phipson Ltd	33	No	22 years	Refer Note 2 and Note 3 below
Freehold land in West Bengal	McDowell & Company Limited	60	No	22 years	Refer Note 3 and Note 5 below
Freehold land in West Bengal	Refer Note 6	78	No	22 years	Refer Note 3 and Note 6 below
Freehold land in West Bengal	Shaw Wallace & Company Limited	216	No	15 years	Refer Note 2 and Note 4 below
Freehold land in Goa	McDowell & Company Limited	45	No	22 years	Refer Note 3 and Note 5 below
Freehold land in Goa	Jointly Held	28	No	20 years	Refer Note 3 and Note 7 below
Freehold land in Delhi	McDowell & Co Ltd	90	No	22 years	Refer Note 2 and Note 3 below
Freehold land in Maharashtra	McDowell & Company Limited	271	No	22 years	Refer Note 5 below
Freehold land in Tamil Nadu	McDowell & Company Limited	2	No	22 years	Refer Note 5 below
Freehold land in Telangana	McDowell & Co Ltd	50	No	43 years	Refer Note 2 below
Freehold land in Telangana	McDowell & Company Limited	4	No	43 years	Refer Note 5 below

'0' indicates that the amounts involved are below ₹ five lakhs.

Annexure B to Independent Auditor's Report (Continued)

Description of property	Held in the name of	Gross carrying value (₹ millions)	Whether promoter, director or their relative or employee	Period held- indicate range, where appropriate	Reason for not being held in name of Company
Freehold land in Uttar Pradesh	McDowell & Company Limited	1	No	22 years	Refer Note 5 below
Freehold land in West Bengal	McDowell & Company Limited	17	No	22 years	Refer Note 5 below
Leasehold land in Kerala	McDowell & Co Ltd	10	No	22 years	Refer Note 2 and Note 3 below

Notes:

'O' indicates that the amounts involved are below ₹ five lakhs.

1. The Company has entered into an agreement to sell with the erstwhile owner and is litigating for execution of the sale deed. Refer Note 3.1(b) to the standalone financial statements.

2. Held in the name of erstwhile transferor companies which were amalgamated with the Company through approved Court Schemes. Refer Notes 3.1(a), 3.2(d) and 3.6(a) to the standalone financial statements.

3. These properties are under hypothecation with a bank. Refer Notes 33(b) and 40(d) to the standalone financial statements.

4. Part of this property is under dispute with a regulator and the matter is pending with the Kolkata High Court.

5. McDowell & Company Limited name has been changed to United Spirits Limited w.e.f. October 17, 2006.

6. The Company is not in the possession of the title deeds. Refer Note 3.1(a) to the standalone financial statements.

7. The property is being jointly held by the Company and a third party. Refer Note 3.1(a) to the standalone financial statements.

Balance Sheet

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2023	As at March 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	9,783	12,014
Right-of-use assets	3.2	1,726	2,606
Capital work-in-progress	3.3	668	877
Intangible assets	3.4	312	246
Intangible assets under development	3.5	160	80
Investment property	3.6	253	-
Financial assets			
Investments in subsidiaries and associate	4.1	2,059	2,169
Loans	5	-	-
Other financial assets	6	1,462	1,481
Deferred tax assets (net)	7	1,573	1,428
Current tax assets (net) (Non-current)	8	13,114	12,087
Other non-current assets	9	2,392	2,342
Total non-current assets		**33,502**	**35,330**
Current assets			
Inventories	10	22,300	21,643
Financial assets			
Investments	4.2	2,558	2,221
Trade receivables	11	23,828	23,021
Cash and cash equivalents	12.1	814	270
Bank balances other than cash and cash equivalents	12.2	7,682	58
Loans	5	1,087	1,388
Other financial assets	6	1,365	806
Other current assets	9	2,578	2,490
Total current assets		**62,212**	**51,897**
Total assets		**95,714**	**87,227**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13A	1,455	1,453
Share suspense	13B	-	2
Other equity			
Reserves and surplus	14	57,990	47,468
Total equity		**59,445**	**48,923**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	15	3	9
Lease liabilities	3.2	800	1,341
Provisions	17	123	149
Total non-current liabilities		**926**	**1,499**

Balance Sheet (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2023	As at March 31, 2022
Current liabilities			
Financial liabilities			
Borrowings	15	8	3,408
Lease liabilities	3.2	1,022	1,296
Trade payables	18		
(A) total outstanding dues of micro and small enterprises		502	792
(B) total outstanding dues of creditors other than micro and small enterprises		16,881	14,487
Other financial liabilities	16	2,846	1,926
Provisions	17	3,715	4,859
Current tax liabilities (net)	8	2,829	1,904
Other current liabilities	19	7,540	8,133
Total current liabilities		**35,343**	**36,805**
Total liabilities		**36,269**	**38,304**
Total equity and liabilities		**95,714**	**87,227**

The above Balance Sheet should be read in conjunction with the accompanying notes.

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Executive Director and Chief Financial Officer
DIN: 02110401
Place: Bengaluru

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Statement of Profit and Loss

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
INCOME			
Revenue from operations	20	275,775	307,731
Other income	21	742	337
Total income		**276,517**	**308,068**
EXPENSES			
Cost of materials consumed	22	53,370	47,894
Purchase of stock-in-trade		8,642	5,773
Change in inventories of finished goods, work-in-progress and stock-in-trade	23	(1,294)	(828)
Excise duty		172,038	213,494
Employee benefits expense	24	6,071	6,496
Depreciation, amortisation and impairment expense	25	2,706	2,886
Others:			
Advertisement and sales promotion		9,199	6,892
Loss allowance on trade receivables and other financial assets (net)	31	(120)	(129)
Other expenses	26	13,682	13,035
Finance costs	27	1,039	880
Total expenses		**265,333**	**296,393**
Profit before exceptional items and tax		**11,184**	**11,675**
Add/ (Less): Exceptional items, (net)	28	1,709	(1,560)
Profit before tax		**12,893**	**10,115**
Tax expense:	29		
Current tax		2,817	1,730
Current tax relating to earlier years		(297)	(243)
Deferred tax (credit) / charge		(144)	119
Total tax expense		**2,376**	**1,606**
Profit for the year		**10,517**	**8,509**
Other comprehensive Income			
A. Items that will be reclassified to profit or loss		-	-
B. Items that will not be reclassified to profit or loss			
(i) Remeasurements of post-employment benefit plans	38(b)E	(6)	165
(ii) Income tax credit / (charge) relating to these items	7	1	(41)
Other comprehensive income for the year, net of tax		**(5)**	**124**
Total comprehensive income for the year		**10,512**	**8,633**
Basic and diluted earnings per share (in ₹)	30	14.46	11.70

The above Statement of Profit and Loss should be read in conjunction with the accompanying notes.

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Executive Director and Chief Financial Officer
DIN: 02110401
Place: Bengaluru

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Statement of Changes in Equity

A. Equity Share Capital

(All amounts in ₹ Millions unless otherwise stated)

Particulars	Note	Amount
Equity share capital as at April 1, 2021	13A	**1,453**
Changes in equity share capital		-
Equity share capital as at March 31, 2022		**1,453**
Changes in equity share capital (Refer note 49)		2
Equity share capital as at March 31, 2023	13A	**1,455**

B. Other equity

Particulars	Note	Reserves and surplus									
		Capital reserve	Capital redemption reserve	Securities premium account	Central subsidy	Share based incentive reserve	Contingency reserve	General reserve	Retained earnings	Total	Share Suspense
Balance as at April 1, 2021		**683**	**699**	**45,682**	**2**	**69**	**110**	**11,033**	**(18,463)**	**39,815**	**-**
Adjustments on account of amalgmation	49	261	23	-	-	-	-	-	(3,064)	(2,780)	2
Reversal of allowances on loan to Pioneer Distilleries Limited and interest accrued thereon, net of taxes	49	-	-	-	-	-	-	-	1,284	1,284	-
Excess of interest payable in Pioneer Distilleries Limited financial statements over interest receivable recorded in Company's books of accounts	49	-	-	-	-	-	-	-	588	588	-
Balance as at April 1, 2021		**944**	**722**	**45,682**	**2**	**69**	**110**	**11,033**	**(19,655)**	**38,907**	**2**
Profit for the year		-	-	-	-	-	-	-	8,509	8,509	-
Other Comprehensive income (OCI), net of tax		-	-	-	-	-	-	-	124	124	-
Total comprehensive income		-	-	-	-	-	-	-	**8,633**	**8,633**	**-**
Share based payments		-	-	-	-	52	-	-	-	52	-
Cross charge by a Diageo group company during the year towards share based payments	36(b)(xii)	-	-	-	-	(124)	-	-	-	(124)	-
Balance as at March 31, 2022	14	**944**	**722**	**45,682**	**2**	**(3)**	**110**	**11,033**	**(11,022)**	**47,468**	**2**
Profit for the year		-	-	-	-	-	-	-	10,517	10,517	-
Other Comprehensive income (OCI), net of tax		-	-	-	-	-	-	-	(5)	(5)	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,512**	**10,512**	**-**
Share based payments		-	-	-	-	72	-	-	-	72	-
Cross charge by a Diageo group company during the year towards share based payments	36(b)(xii)	-	-	-	-	(62)	-	-	-	(62)	-
Issue of equity shares	13B	-	-	-	-	-	-	-	-	-	(2)
Balance as at March 31, 2023	14	**944**	**722**	**45,682**	**2**	**7**	**110**	**11,033**	**(510)**	**57,990**	**-**

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

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Executive Director and Chief Financial Officer
DIN: 02110401
Place: Bengaluru

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Statement of cash flows

(All amounts in ₹ Millions unless otherwise stated)

		Notes	For the year ended March 31, 2023		For the year ended March 31, 2022	
A.	CASH FLOW FROM OPERATING ACTIVITIES					
	Profit before tax			12,893		10,115
	Adjustments for					
	Depreciation, amortisation and impairment expense	25	2,706		2,886	
	Employee share-based payment expense	24	233		252	
	Loss allowance on trade receivables and other financial assets (net)	31	(120)		(129)	
	Provision on doubtful other assets (net)	26	173		158	
	Profit on sale on investments	21	(166)		-	
	Increase in fair value of investments	21	(25)		-	
	Exchange gain (net) on translation of foreign currency monetary assets and liabilities		7		(4)	
	Finance costs	27	1,039		880	
	Gain on disposal of property, plant and equipment (net)	21	(203)		(123)	
	Interest income	21	(342)		(194)	
	Exceptional item- Profit on sale of business undertaking	28(i)	(3,796)		-	
	Supply restructuring cost	28(j)	1,574		-	
	Exceptional Items - Others	28(h,k)	513		1,560	
				1,593		5,286
	Operating profit before changes in working capital			14,486		15,401
	(Increase) / decrease in trade receivables		(2,966)		(1,603)	
	(Increase) / decrease in loans and other financials assets		(916)		1,747	
	(Increase) / decrease in other assets		(1,158)		(343)	
	(Increase) / decrease in inventories		(2,543)		(1,125)	
	Increase / (decrease) in trade payables		2,200		969	
	Increase / (decrease) in other financial liabilities		97		3	
	Increase / (decrease) in other liabilities		925		(528)	
	Increase / (decrease) in provisions		(1,394)	(5,755)	(832)	(1,712)
	Cash generated from operations			8,731		13,689
	Income taxes paid (net of refund)			(2,965)		(4,576)
	Net cash generated from operating activities (A)			5,766		9,113
B.	CASH FLOW FROM INVESTING ACTIVITIES					
	Purchase of property, plant and equipment and intangible assets		(1,397)		(1,346)	
	Proceeds from sale of property, plant and equipment		265		383	
	Purchase of current Investments		(95,295)		(14,356)	
	Redemption of current Investments		87,523		12,135	
	Investment in an associate		(315)		-	
	Investment in a subsidiary		-		(148)	
	Proceeds from sale of a business undertaking		8,180		-	
	Proceeds from sale of a subsidiary		320		-	
	Remittance upon liquidation of a subsidiary	28(a)	-		89	
	Proceeds from disposal of investment in an associate	28(b)	-		5	

Statement of cash flows (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2023		For the year ended March 31, 2022	
Loans given to subsidiaries	36(b)(xv)	(3,263)		(2,499)	
Repayment of loans by subsidiaries	36(b)	3,613		3,210	
Loans given to others		(80)		(100)	
Repayment of loans given to others		32		-	
Interest received		204		170	
Net cash inflow from investing activities (B)			**(213)**		**(2,457)**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Net proceeds / (repayment) of working capital loans	15	(3,392)		(5,357)	
Repayment of deferred sales tax liability	15	(14)		(20)	
Interest paid	15	(203)		(380)	
Principal repayment of lease liabilities	15	(1,240)		(1,002)	
Interest paid on lease liabilities	15	(160)		(119)	
Net cash outflow from financing activities (C)			**(5,009)**		**(6,878)**
Net increase / (decrease) in cash and cash equivalents [D = A+B+C]			**544**		**(222)**
Cash and cash equivalents as at the beginning of the year (E)			270		492
Cash and cash equivalents taken over on account of amalgamation (Refer note 49)			-		0
Effects of exchange rate changes on cash and cash equivalents			0		0
Net increase / (decrease) in cash and cash equivalents			544		(222)
Cash and cash equivalents as at the end of the year [D+E]	12.1		**814**		**270**
Note:			-		-
Non-cash financing and investing activities					
Acquisition of right-of-use assets	3.2		858		2,292

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

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Executive Director and Chief Financial Officer
DIN: 02110401
Place: Bengaluru

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Notes to the financial statements

Company overview

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

These financial statements are approved for issue by the Company's Board of Directors on May 18, 2023.

The scheme of amalgamation between the Company and Pioneer Distilleries Limited("PDL") was approved by the National Company Law Tribunal (NCLT) on November 4, 2022. The Company has filed the approved NCLT orders have been filed with the Registrar of Companies (RoC) on December 30, 2022. Pursuant to filing of the orders with the RoC, PDL was wound up without liquidation.

Significant accounting policies

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

1.1 Basis of preparation of financial statements

(i) Compliance with Ind AS

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

(ii) Historical cost convention

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

- defined benefits plans – plan assets is measured at fair value; and
- share-based payment obligations measured at fair value

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

(iii) New and amended standards adopted

The Ministry of Corporate Affairs had vide notification dated March 23, 2022 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amended certain accounting standards, and are effective 1 April 2022. These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) Amendments to standards issued but not yet effective

The Ministry of Corporate Affairs has vide notification dated March 31, 2023 notified Companies (Indian Accounting Standards) Amendment Rules, 2023 (the 'Rules') which amends certain accounting standards, and are effective April 1, 2023:

- Ind AS 1 – Presentation of Financial Statements
- Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
- Ind AS 12 - Income Taxes

The above amendments are not likely to have any material impact on the financial statements of the Company for the current or future reporting period.

1.2 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

1.3 Property, plant and equipment and Intangible assets

Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost

Notes to the Financial Statements (Continued)

less depreciation, and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

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

Depreciation methods, estimated useful lives and residual value

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

Asset category	Useful life (in years)
Buildings	
- Roads	5
- Buildings	5.6 - 60
Plant and equipment	
- Wooden casks	15
- Others	7.5 – 15
Furniture and Fittings	10
Office Equipment	
- Computers	3
- Servers	3
- Others	5
Vehicles	5

Useful lives of asset classes determined by management estimate, which are different than those prescribed under Schedule II of the Act are supported by internal technical assessment of the useful lives. Estimated useful lives based on technical evaluation considers the impact of additional depreciation for working extra shifts.

Disposals

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

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Intangible assets

Brands and Licenses

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

Computer software

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

a) it is technically feasible to complete the software so that it will be available for use,

b) there is an ability to use or sell the software,

c) it can be demonstrated that the software will generate probable future economic benefits,

d) adequate technical, financial and other resources to complete the development and to use the software are available, and

e) the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the customised computer software applications include employee

Notes to the Financial Statements (Continued)

costs and other directly attributable costs and are amortised from the point at which the software asset is available for use.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all of intangible assets measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

Research and development costs

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

Amortisation method and useful lives

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

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

Impairment of assets

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

1.4 Leases

As a lessee

The Company recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, for example arrangements that require payments based on agreed minimum production volumes),
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company use that rate as a starting point to determine the incremental borrowing rate.

Notes to the Financial Statements (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. The useful life has been determined based on technical evaluation performed by the management's expert.

1.6 Investments in subsidiaries and associate

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

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

1.7 Financial Instruments

A) Financial Assets:

a) Recognition and measurement

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets except trade receivables are recognised at fair value. Financial assets are subsequently classified and measured at amortised cost. Financial assets are not reclassified subsequent to their recognition, except if and in the period the Company changes its business model for managing financial assets.

i) Trade Receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses (ECL). The EIR is the rate that discounts estimated future cash flows through the expected life of financial instrument.

ii) Loans

On initial recognition, Loans are measured at fair value. Since the objective is to hold these financial assets to collect contractual cash flows that are solely payments of principal

Notes to the Financial Statements (Continued)

and interest, these assets are subsequently measured at amortised cost using the EIR method less impairment, if any.

iii) **Other financial assets:**

On initial recognition, Other financial assets are measured at fair value, and subsequently, measured at the amortised cost, less impairment if any. Loss arising from impairment, if any is recognised in the Statement of Profit and Loss.

iv) **Debt instruments:**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

- Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.
- Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
- Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

(v) **Investment in mutual fund :**

On initial recognition, these are measured at fair value, and subsequently, carried at fair value through profit and loss.

b) **Derecognition**

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

c) **Impairment of financial assets**

The Company applies ECL model for measurement and recognition of loss allowance on Trade receivables and other financial assets measured at amortised cost.

In case of trade receivables, the Company follows the provision matrix approach (as permitted by Ind AS 109) wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

In case of other financial assets, the Company determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance.

However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improve such that there is no longer a significant increase in credit risk since initial recognition, the Company reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive (i.e., cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect

Notes to the Financial Statements (Continued)

probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Statement of Profit and Loss under the head 'Loss allowance on trade receivables and other financial assets'.

d) Income recognition

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

Interest income is accounted for on a time-proportion basis using effective interest rate method taking into account the amounts invested and the rate of interest, except for financial assets that subsequently become credit impaired.

For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

B) Financial Liabilities:

a) Recognition and measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value and subsequently measured at amortised cost.

Trade and other payables

In case of trade and other payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

b) Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

C) Off-setting of financial instruments

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

1.8 Inventories

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

1.9 Cash and cash equivalents

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

Notes to the Financial Statements (Continued)

1.10 Revenue recognition

Revenue comprises revenue from contracts with customers for sale of goods and income from brand franchisee royalties receivable. Revenue from sale of goods is inclusive of excise duties and is net of returns, trade allowances, rebates, value added taxes and such amounts collected on behalf of third parties.

Revenue is recognised as and when performance obligations are satisfied by transferring goods or services to the customer, as below:

a. Revenue from sale of products:

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

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

The Company has entered into arrangements with Tie-up Manufacturing Units (TMUs), where-in TMUs manufacture and sell beverage alcohol on behalf of the Company. Under such arrangements, the Company has exposure to significant risks and rewards in such arrangements i.e. it has the primary responsibility for providing goods to the customer, has pricing latitude and is also exposed to inventory and credit risks. The Company is considered to be a principal in such arrangements with TMUs. Accordingly, the transactions of the TMUs under such arrangements have been recorded as gross revenue, excise duty and expenses as if they were transactions of the Company. The Company presents inventory held by the TMUs under such arrangements as its own inventory. The net receivables from/ payable to TMUs are recognised under other financial assets/ other financial liabilities respectively.

c. Income from brand franchise arrangements

Revenue in respect of fixed income brand franchise arrangements is recognised proportionately in each period. Income from variable franchise arrangements is recognised based on the terms of the respective contracts upon sale of products by the franchisees.

1.11 Employee benefits

a) Short-term obligations

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

b) Post-employment obligations

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

Pension and gratuity obligations

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

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

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

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

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

Notes to the Financial Statements (Continued)

Provident fund

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

Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to funds administered by government authority/ Company and does not have any legal or constructive obligation to pay additional sums. These comprise contributions in respect of Employees' Provident Fund, Employees' Pension Scheme, Employees' State Insurance, Superannuation fund and National Pension Scheme. The Company's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

c) Other long-term employee benefit obligations

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

d) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

e) Share-based payments

Share based compensation benefits are provided to certain grades of employees in the form of United Spirits Limited- Stock Appreciation Rights Plan, a cash settled scheme, and various equity settled schemes managed by Diageo group.

Stock appreciation rights

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

Diageo group share based payment arrangements

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

1.12 Income tax

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

Notes to the Financial Statements (Continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

1.13 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

1.14 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A provision is made in respect of onerous contracts, i.e., contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contracts. Provisions are not recognised for other future operating losses. The carrying amounts of provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

1.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of profit and loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

Notes to the Financial Statements (Continued)

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

1.16 Borrowing costs

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

1.17 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions are complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to property, plant and equipment, it is recognised as deferred income and recognised as income in statement of profit and loss over the expected useful life of the related asset. When loan or similar assistance are provided by government or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is recognized at government rate. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received.

1.18 Exceptional items

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

1.19 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Executive committee, which has been identified as the chief operating decision maker, assesses the financial performance and position of the Company and makes strategic decisions. The executive committee consists of the Managing Director & Chief Executive Officer and other senior management team members. Since segment disclosures have been provided in the consolidated financial statements, no such disclosures have been made in these standalone financial statements.

1.20 Equity

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

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

1.21 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III (Division II) to the Act, unless otherwise stated. The sign '0' in these financial statements indicates that the amounts involved are below ₹ five lakhs and the sign '-' indicates that amounts are nil.

2. Critical estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates and judgements are:

- Estimation of provisions recognised and contingent liabilities disclosed in respect of tax matters– Notes 8, 17, and 42;
- Impairment of loans, trade receivables and other financial assets - Notes 5, 6, 11 and 31.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

3.1 Property, plant and equipment

	Freehold Land [Refer note (a) below]	Buildings [Refer note (b), (c) and (e) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Total
Year ended March 31, 2022							
Gross carrying amount							
Opening	2,492	3,908	10,472	490	557	15	**17,934**
Assets taken over on account of amalgamation (Refer note 49)	240	782	2,905	12	5	2	**3,946**
Opening after above adjustment	2,732	4,690	13,377	502	562	17	**21,880**
Additions	100	159	895	9	176	-	**1,339**
Disposals	(17)	(50)	(1,050)	(67)	(19)	(1)	**(1,204)**
Closing gross carrying amount	**2,815**	**4,799**	**13,222**	**444**	**719**	**16**	**22,015**
Accumulated depreciation and impairment							
Opening	-	954	5,104	360	453	15	**6,886**
Accumulated depreciation on assets taken over (Refer note 49)	-	222	1,805	4	1	1	**2,033**
Opening after above adjustment	-	1,176	6,909	364	454	16	**8,919**
Depreciation charge during the year	-	238	1,362	24	62	1	**1,687**
Impairment during the year[refer note (d) below]	159	175	6	-	-	-	**340**
Disposals	-	(22)	(846)	(57)	(19)	(1)	**(945)**
Closing accumulated depreciation and impairment	**159**	**1,567**	**7,431**	**331**	**497**	**16**	**10,001**
Net carrying amount as at March 31, 2022	**2,656**	**3,232**	**5,791**	**113**	**222**	**-**	**12,014**
Year ended March 31, 2023							
Gross carrying amount							
Opening	2,815	4,799	13,222	444	719	16	**22,015**
Additions	-	228	1,066	25	33	-	**1,352**
Transfer pursuant to sale of business undertaking (Refer note 48 (b))	-	(213)	(2,217)	(8)	(25)	(1)	**(2,464)**
Disposals	(51)	(50)	(349)	(3)	(4)	(3)	**(460)**
Transfer to investment property	(253)	(314)	-	-	-	-	**(567)**
Closing gross carrying amount	**2,511**	**4,450**	**11,722**	**458**	**723**	**12**	**19,876**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Freehold Land [Refer note (a) below]	Buildings [Refer note (b), (c) and (e) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Total
Accumulated depreciation and impairment							
Opening	159	1,567	7,431	331	497	16	**10,001**
Depreciation charge during the year	-	196	998	26	75	-	**1,295**
Transfer pursuant to sale of business undertaking (Refer note 48(b))	-	(66)	(1,489)	(5)	(11)	(1)	**(1,572)**
Impairment during the year [refer note (d) below]	607	440	-	38	-	-	**1,085**
Disposals	-	(39)	(349)	(3)	(4)	(3)	**(398)**
Transfer to investment property	(29)	(289)	-	-	-	-	**(318)**
Closing accumulated depreciation and impairment	**737**	**1,809**	**6,591**	**387**	**557**	**12**	**10,093**
Net carrying amount as at March 31, 2023	**1,774**	**2,641**	**5,131**	**71**	**166**	**-**	**9,783**

Notes:

(a) Land includes: (i) gross carrying amount of ₹2,034 million (2022: ₹2,312 million) in respect of which the title deeds are in the name of erstwhile merged entities; (ii) gross carrying amount of ₹78 million (2022: ₹78 million) in respect of which the Company is not in the possession of title deeds; (iii) gross carrying amount of ₹43 million (2022: ₹43 million) in respect of which title deeds are jointly held in the name of the Company and third party; (iv) gross carrying amount of ₹Nil (2022: ₹8 million) in respect of which the Company is in possession of photocopies of the title deeds; (v) gross carrying amount of ₹60 million (2022: ₹60 million) in respect of which the Company is in possession of combination of original & photocopy of title deeds.

(b) Building includes gross carrying amount of ₹339 million (2022: ₹339 million) in respect of which the Company has initiated litigation for execution of sale deed in favour of the Company.

(c) The Company holds many properties, both freehold and leasehold. Many of the freehold properties have been acquired during the past two decades through mergers and amalgamations and as such their title deeds are in the name of the erstwhile transferor companies. The Company has title documents and other supporting evidences establishing ownership of these properties, makes payment of property taxes in relation to these properties, and is in peaceful possession.

(d) The Company has taken an exceptional charge of ₹1,085 million towards impairment of property, plant and equipment covered under Supply Agility Programme by writing down their carrying amounts to their net recoverable amounts which includes provision on certain land holdings on account of regulatory risks (impaired based on independent valuation).

During the year ended March 31, 2022, the Company had recognised a charge of ₹340 million on account of impairment of property, plant and equipment. This represented impairment loss of property, plant and equipment in respect of certain manufacturing units and includes a provision on certain land holdings in a state on account of towards potential regulatory risks (Refer note 28(e)).

(e) Opening and closing cost of buildings includes payments below rounding off norms adopted by the Company towards fully paid shares held in a co-operative housing society for the purpose of acquiring the right of occupation in respect of which Company is in possession of photocopy of share certificate in co-operative society.

Property, plant and equipment pledged as security

Refer note 33 for information on property, plant and equipment pledged as security by the Company.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

3.2 Right-of-use assets and Lease liabilities

This note provides information for leases where the Company is a lessee. The Company has taken on lease land, offices, warehouses, plant and equipment and office equipment. Lease contracts are typically entered into for 30 years to 100 years for leasehold land and for periods of 11 months to 5 years for other categories, and may have extension options as described in Note (c) below. Some of the leasing arrangements entered into by the Company include non-cancellable lease terms.

(i) Amounts recognised in Balance Sheet

	As at March 31, 2023	As at March 31, 2022
Right-of-use assets		
Leasehold land	64	80
Buildings	203	158
Plant and equipment	1,393	2,252
Office equipment	66	116
Total	**1,726**	**2,606**
Movement of right-of-use assets during the year		
Opening right-of-use assets	2,606	1,644
Additions	858	2,292
Depreciation for the year	(1,301)	(1,099)
Termination of leases	(433)	(231)
Transfer to investment property	(4)	-
Closing right-of-use assets	**1,726**	**2,606**
Lease Liabilities		
Current	1,022	1,296
Non-current	800	1,341
Total	**1,822**	**2,637**

(ii) Amounts recognised in the Statement of Profit and Loss

		Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
(a)	**Depreciation charge of right-of-use assets**	25		
	Leasehold land		1	1
	Buildings		101	211
	Plant and equipment		1,152	805
	Office equipment		47	82
Total			**1,301**	**1,099**
(b)	Interest expenses (included in finance cost)	27	160	119
(c)	Lease related expenses included in Rent expenses	26		
	Short term leases		86	59
	Leases of low value assets		3	1
	Variable lease payments (not included in lease liabilities)		2,223	2,456
Total			**2,312**	**2,516**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(iii) The total cash outflow for leases for the year ended March 31, 2023 was ₹3,712 million (2022: ₹3,637 million).

Notes:

(a) Additons to the right-of-use assets for year ended March 31, 2023 aggregate to ₹858 million (2022: ₹2,292 million).

(b) Variable lease payments

The Company has lease contracts for plant and equipment that contain variable payments. Variable lease payments that depend on production volumes are recognised in the statement of profit and loss in the period in which the condition that triggers those payments occurs. Any changes in production under contracts which includes variable lease payments, would have a proportionate impact on the variable lease payments. Certain agreements contain clauses for minimum production volumes and hence portion of lease payments in these agreements are 'in-substance fixed'. "In-substance" fixed lease payments are included in the determination of the lease liabilities and consequently included in determining the value of right-of-use assets.

(c) Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. Management considers contractual terms and conditions, leasehold improvements undertaken, costs relating to termination of lease, incentives received from the Government (if any) and importance of the underlying asset to the Company's operations in determining the lease term for the purpose of recognising/ measuring the lease liability.

(d) Leasehold Land includes: (i) gross carrying amount of ₹22 million (2022: ₹22 million) in respect of which the title deeds are in the name of erstwhile merged entities; (ii) gross carrying amount of ₹76 million (2022: ₹76 million) in respect of which the Company is in possession of photocopies of the title deeds.

3.3 Capital work-in-progress

Movement of Capital work-in-progress set-out below:

Particulars	As at March 31, 2023	As at March 31, 2022
Opening capital work-in-progress	877	781
Assets taken over on account of amalgamation (Refer note 49)	-	101
Opening after above adjustment	877	882
Additions	1,143	1,334
Assets capitalised during the year	(1,352)	(1,339)
Closing capital work-in-progress	**668**	**877**

The ageing schedule for capital work in progress is set-out below:

Particulars	As at March 31, 2023	As at March 31, 2022
Projects in progress		
Less than 1 year	395	643
1-2 years	187	202
2-3 years	83	25
More than 3 years	3	7
Total	**668**	**877**

There were no projects under suspension as at March 31, 2023 and March 31, 2022.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Details of projects wherein completion is overdue or where the actual cost has exceeded the original plan are set-out below:

Particulars	As at March 31, 2023	As at March 31, 2022
Less than 1 year		
Health, Safety and Environment protection projects	58	68
Brand innovation projects	84	-
Support core growth projects	68	-
Productivity improvement projects	143	263
Others	78	185
Total	**431**	**516**
More than 3 year		
Productivity improvement projects	-	9

There are no projects which are expected to be completed after the expiry of one year as at March 31, 2023.

3.4 Intangible assets

Particulars	Brands	License	Computer Software	Total
Year ended March 31, 2022				
Gross carrying amount				
Opening	9	38	468	515
Additions to internally developed intangible assets	-	-	30	30
Disposals	-	-	-	-
Closing gross carrying amount	**9**	**38**	**498**	**545**
Accumulated amortisation and impairment				
Opening	9	21	169	199
Amortisation charge for the year	-	3	97	100
Disposals	-	-	-	-
Closing accumulated amortisation and impairment	**9**	**24**	**266**	**299**
Net carrying amount as at March 31, 2022	**-**	**14**	**232**	**246**
Year ended March 31, 2023				
Gross carrying amount				
Opening	9	38	498	545
Additions to internally developed intangible assets	-	-	189	189
Transfer pursuant to sale of business undertaking (Refer note 48(b))	-	(32)	-	(32)
Closing gross carrying amount	**9**	**6**	**687**	**702**
Accumulated amortisation and impairment				
Opening	9	24	266	299
Amortisation charge for the year	-	1	109	110
Transfer pursuant to sale of business undertaking (Refer note 48(b))	-	(19)	-	(19)
Closing accumulated amortisation and impairment	**9**	**6**	**375**	**390**
Net carrying amount as at March 31, 2023	**-**	**-**	**312**	**312**

Note:

Brands and licences have indefinite life and remaining useful life of computer software ranges from 1 year to 5 years.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

3.5 Intangible assets under development

Movement of intangible assets under development set-out below:

Particulars	As at March 31, 2023	As at March 31, 2022
Opening intangible assets under development	80	84
Additions	269	26
Intangible assets capitalised during the year	(189)	(30)
Closing intangible assets under development	**160**	**80**

Management has performed an impairment assessment on the intangible assets under development and determined that no impairment loss is necessary for the year.

The ageing schedule for intangible assets under development is set-out below:

Particulars	As at March 31, 2023	As at March 31, 2022
Projects in progress		
Less than 1 year	71	6
1-2 years	89	74
Total	**160**	**80**

There were no projects under suspension as at March 31, 2023 and March 31, 2022.

Details of projects wherein completion is overdue or where the actual cost has exceeded the original plan are set-out below:

Particulars	As at March 31, 2023	As at March 31, 2022
Less than 1 year		
ERP related development project	18	39
Business application related development project	128	27
Others	9	-
Total	**155**	**66**

In respect of the above, no projects are expected to be completed after the expiry of one year from the balance sheet dates.

3.6 Investment property

Movement of investment property is set-out below:

Particulars	As at March 31, 2023	As at March 31, 2022
Gross carrying amount		
Opening	-	-
Transfer from property, plant and equipment	567	-
Transfer from right-of-use assets	4	-
Closing gross carrying amount	**571**	**-**
Accumulated depreciation		
Opening	-	-
Transfer from property, plant and equipment	318	-
Closing accumulated depreciation and impairment	318	-
Net carrying amount as at March 31, 2023	**253**	**-**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Estimation of fair value:

The Company obtains independent valuations for its investment properties. The best evidence of fair value is current prices in an active market for similar properties. When such information is not available, the Company considers information from a variety of sources including:

(a) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(b) discounted cash flow projections based on reliable estimates of future cash flows; and

(c) capitalised income projection based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The fair value of investment property has been determined by a valuation expert who holds relevant professional qualification and experience. The market value of the investment property has been assessed on an open market basis with the benefit of vacant possession. In the course of valuation, a direct comparison method has been adopted by making a reference to the relevant market transaction in the building where the investment property is located. The appropriate adjustments have been made in order to account for the differences between the subject property and the comparable in terms of time, floor level, view, condition, quality and facilities etc.

Notes:

(a) Investment Property includes: (i) gross carrying amount of ₹181 million in respect of which the title deeds are in the name of erstwhile merged entities; (ii) gross carrying amount of ₹8 million in respect of which the Company is in possession of photocopies of the title deeds.

(b) There have been no direct expenses incurred by the Company during the year ended March 31, 2023.

(c) Fair value of investment property is ₹1,461 miilion.

4.1 Investments in subsidiaries and associate

		Face value	Number of shares	As at March 31, 2023	Number of shares	As at March 31, 2022
a)	**Investments in subsidiaries**					
	Investment in equity instruments carried at cost (fully paid-up) [Refer note (b) below]					
	Unquoted					
	McDowell & Co (Scotland) Limited	GBP 1/-	1,575,000	126	1,575,000	126
	Shaw Wallace Overseas Limited	GBP 1/-	357,745	-	357,745	-
	Sovereign Distilleries Limited	₹10/-		-	485,139,152	4,415
	Less: Impairment in the value of investment (Refer note 48(a))			-		(3,990)
				-		**425**
	Asian Opportunities & Investments Limited	USD 1/-	4,998,706	-	4,998,706	-
	Palmer Investment Group Limited	USD 1/-	15,000,000	-	15,000,000	-
	USL Holdings Limited	USD 1/-	766,640,114	-	766,640,114	-
	United Spirits (Shanghai) Trading Company Limited	RMB 10	-	-	500,000	-
	Royal Challengers Sports Private Limited	₹10/-	14,690	421	14,690	421
	Total investments in equity instruments			**547**		**972**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

		Face value	Number of shares	As at March 31, 2023	Number of shares	As at March 31, 2022
b)	**Investment in associate**					
	Nao Spirits & Beverages Private Limited [Refer note (c) below]					
	- Equity shares carried at cost	₹10/-	4,670	115		-
	- Compulsary convertible preference shares carried at fair value through profit and loss	₹10/-	8,094	200		-
				315		**-**
c)	**Investment in trust controlled by the Company**					
	Investment as sole beneficiary in USL Benefit Trust [Refer note (a) below]			**1,197**		**1,197**
				2,059		**2,169**
	Aggregate amount of unquoted investments			2,059		6,159
	Aggregate amount of impairment in the value of investments			-		(3,990)

Notes:

(a) Investment as a sole beneficiary in USL Benefit Trust (the 'Trust') was recorded as per the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited. The Trust has been established for the exclusive benefit of the Company and holds 17,295,450 equity shares of ₹2/- face value (2021: 17,295,450 equity shares of ₹2/- face value) of the Company [Refer Note 13A(h)]. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. Also refer Note 33(b) for assets pledged and Note 40(d).

(b) On adoption of Ind AS, Company has measured these investments at deemed cost using the net carrying value as per previous GAAP as at March 31, 2015. The Company has subsequently measured its investments in equity shares of subsidiaries and the associate at cost in accordance with Ind AS 27.

(c) On April 29, 2022, the Company invested ₹315 million in Nao Spirits & Beverages Private Limited ("Nao Spirits") by subscribing to 8,094 Compulsory Convertible Preference Shares and 4,670 equity shares of Nao Spirits, resulting in the Company holding 22.5% ownership interest on a fully diluted basis. Management has considered Nao Spirits to be an associate since the Company has significant influence over its operating and financing decisions. (Refer note 50)

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

4.2 Investments

	As at March 31, 2023	As at March 31, 2022
Quoted		
Liquid mutual funds*	2,397	2,221
Non-convertible debentures	161	-
Total current investments	**2,558**	**2,221**
Aggregate amount of quoted investments	2,558	2,221
Aggregate market value of quoted investments	2,558	2,221

*The Company redeemed mutual funds amounting to ₹516 million on March 31, 2023. The redemption proceeds were received by the Company subsequent to the balance sheet date. Accordingly, pending receipt of the proceeds, the amount redeemed has been presented as investment in liquid mutual funds as at the balance sheet date.

5. Loans

	As at March 31, 2023		As at March 31, 2022	
	Current	Non-current	Current	Non-current
Loan to UBHL and a related entity [Refer note 40(c)]	-	12,378	-	12,378
Loans to subsidiaries [note 36(c)(v)]	924	730	1,275	716
Loans to employees	15	-	13	-
Loan to others	148	-	100	-
	1,087	**13,108**	**1,388**	**13,094**
Less: Loss allowance				
Loan to UBHL and a related entity [Refer note 40(c)]	-	(12,378)	-	(12,378)
Loans to subsidiaries [note 36(c)(v)]	-	(730)	-	(716)
	-	(13,108)	-	(13,094)
Total loans	**1,087**	**-**	**1,388**	**-**

	As at March 31, 2023	As at March 31, 2022
Details of securities/ categorisation of credit risk on loans		
Loans considered good- secured	148	100
Loans considered good- unsecured	939	1,288
Loans- credit impaired	13,108	13,094
Total	**14,195**	**14,482**
Less: Loss allowance	(13,108)	(13,094)
Total Loans	**1,087**	**1,388**

Refer note 31 for information about financial risk management.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

6. Other financial assets

	As at March 31, 2023		As at March 31, 2022	
	Current	Non-current	Current	Non-current
Balances with banks [Refer note below]	626	815	-	792
Receivable from related parties [Refer note 36(c)(i)]	6	-	48	-
Receivable from Tie-up manufacturing units	709	88	991	109
Government grant	267	716	239	861
Security deposits	226	53	232	71
Other receivables	28	134	22	134
	1,862	**1,806**	**1,532**	**1,967**
Less: Loss allowance				
Receivable from Tie-up manufacturing units	(389)	(88)	(599)	(109)
Government grant	-	(122)	-	(243)
Security deposits	(97)	-	(107)	-
Other receivables	(11)	(134)	(20)	(134)
	(497)	(344)	(726)	(486)
Total other financial assets	**1,365**	**1,462**	**806**	**1,481**

(i) Balance with banks comprise:

(a) Deposit of ₹459 million (2022: ₹459 million) with a bank in suspense account (Refer note 40(d)).

(b) Fixed deposits of ₹340 million (2022: ₹327 million) with a bank kept under escrow pending resolution of various taxation matters in connection with a sale of business undertaking in an earlier year.

(c) Deposits of ₹626 million with a bank kept under escrow subject to the Company fulfilling certain conditions (Refer note 48(b)).

(d) Margin money against bank guarantees ₹1 million (2022: ₹1 million).

(e) Represents Bank deposits under lien in respect of bank gurantees provided to tax authorities ₹15 million (2022: ₹5 million).

Refer note 31 for information about financial risk management.

7. Deferred tax assets (net)

	As at March 31, 2023	As at March 31, 2022
Deferred tax assets		
Allowance for doubtful receivable balances	607	594
Provisions allowed on payment basis	773	833
Indexation benefit on land	74	74
Leases	301	26
Others	235	235
	1,990	**1,762**
Deferred tax liabilities		
Difference between carrying amount and tax base of property, plant and equipment, investment property and intangible assets	169	308
Leases	248	26
	417	334
Total Deferred tax assets (net)	**1,573**	**1,428**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Movement in deferred tax assets

	Doubtful receivable balances	Provisions allowed on payment basis	Difference between carrying amount and tax base of property, plant and equipment and intangible assets	Indexation benefit on land	Lease liabilities	Right-of-use assets	Brought forward losses persuant to amalgamation (note a)	Others	Total
At March 31, 2021	**834**	**1,098**	**(378)**	**74**	**254**	**(251)**	**-**	**80**	**1,711**
Reversal of deferred tax of loss allowance on account of amalgamation (recognised in equity)	(123)	-	-	-	-	-	-	-	(123)
	711	**1,098**	**(378)**	**74**	**254**	**(251)**	**-**	**80**	**1,588**
(Charged) / Credited:									
- to profit and loss	(117)	(224)	70	-	(228)	225	-	155	(119)
- to other comprehensive income	-	(41)	-	-	-	-	-	-	(41)
At March 31, 2022	**594**	**833**	**(308)**	**74**	**26**	**(26)**	**-**	**235**	**1,428**
(Charged) / Credited:									
- to profit and loss	13	(61)	139	-	(274)	327	-	-	144
- to other comprehensive income	-	1	-	-	-	-	-	-	1
At March 31, 2023	**607**	**773**	**(169)**	**74**	**(248)**	**301**	**-**	**235**	**1,573**

Note :

a) Upon amalgamation of PDL with the Company, the Company recognised deferred tax asset of ₹768 million on brought forward loss relating to PDL and ₹64 million on other deductible temporary differences in the statement of profit and loss. The scheme of amalgamation provided for an appointed date of April 1, 2021 and therfore the brought forward losses of PDL and other deductible temporary differences have been utilised in computing the current tax provision for the year ended March 31, 2022. Accordingly, deferred tax asset on brought forward losses amounting to ₹768 million has been fully utilised during the year ended March 31, 2022 and has been charged to the statement of profit and loss.

8. Income tax balances

	As at March 31, 2023	As at March 31, 2022
Current tax liabilities (net of advance tax)	2,829	1,904
Current tax assets (Non-current) (net of provision for current tax)	13,114	12,087

Note:

The above balances include amounts paid under protest of ₹13,437 million (2022: ₹13,437 million) pertaining to various assessment years.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

9. Other assets

	As at March 31, 2023		As at March 31, 2022	
	Current	Non-current	Current	Non-current
Capital advances				
Considered good (Refer note (b) below)	-	56	-	121
Considered doubtful	-	-	-	2
Balances with government authorities (Refer note (a) below)				
Considered good	994	2,004	1,009	1,885
Considered doubtful	208	185	47	171
Advances to suppliers				
Considered good	480	-	382	-
Considered doubtful	68	777	56	777
Net surplus in gratuity plan [Refer note 38(b)C]	-	332	-	335
Pre-paid expenses	1104	-	1099	-
	2,854	**3,354**	**2,593**	**3,291**
Less: Allowance for doubtful balances	(276)	(962)	(103)	(949)
Total other assets	**2,578**	**2,392**	**2,490**	**2,342**

Note:

(a) Balance with government authorities includes

(i) ₹1,320 million (2022: ₹1,773 million) paid under protest in respect of disputed indirect tax matters; and

(ii) ₹18 million (2022 : ₹13 million) paid under protest in respect of a litigation relating to levy of water charges (refer note 17).

(b) Capital advances considered good includes an amount of ₹16 miilion (2022 : ₹16 million) being advance paid towards purchase of land pursuant to an "agreement to sell" entered by the Company with the owners of the land. This matter is currently litigated at the High Court of Bombay.

10. Inventories

(Valued at lower of cost and net realisable value)

	As at March 31, 2023	As at March 31, 2022
Raw materials [including materials in transit ₹491 million (2022: ₹475 million)]	4,472	3,405
Work-in-progress [Refer Note (a) below]	6,018	6,072
Finished goods [including goods in transit ₹265 million (2022: ₹1,177 million)]	5,500	8,233
Stock-in-trade [including goods in transit ₹335 million (2022: ₹816 million)]	3,897	1,510
Packing materials [including materials in transit ₹72 million (2022: ₹47 million)]	2,259	2,262
Stores and spares	154	161
Total inventories	**22,300**	**21,643**

Note :

a) Allowance for obsolete inventories (net) for the year amounting to ₹186 million (2022: ₹173 milllion) has been recognised as an expense during the year and is included in cost of materials consumed and change in inventories of finished goods, work-in-progress and stock-in-trade in the Statement of Profit and Loss.

b) Inventories include inventory held by tie up manufacturing units amounting to ₹1,746 million (2022: ₹2,183 million).

c) For details of Inventories pledged as security Refer note 33.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

11. Trade receivables

	As at March 31, 2023	As at March 31, 2022
From Contracts with customers - related parties [Refer note 36(c)(ii)]	63	59
From Contracts with customers - others	24,977	24,150
	25,040	**24,209**
Less: Loss allowance	(1,212)	(1,188)
Total trade receivables	**23,828**	**23,021**
Details of secured trade receivables/ categorisation of credit risk of trade receivables		
Trade Receivables considered good- secured	-	-
Trade Receivables considered good- unsecured	25,040	24,209
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables- credit impaired	-	-
Total	**25,040**	**24,209**
Less: Loss allowance	(1,212)	(1,188)
Total trade receivables	**23,828**	**23,021**

Refer Note 31 for information about financial risk management

Trade Receivables ageing schedule is set-out below:

		As at March 31, 2023	As at March 31, 2022
a.	**Undisputed-considered good**		
	Unbilled dues	-	-
	Not due	22,978	21,600
	Less than 6 months	1,083	1,867
	6 months -1 year	244	89
	1-2 Years	186	184
	2-3 years	62	98
	More than 3 years	251	230
	sub-total	**24,804**	**24,068**
b.	**Disputed - considered good**		
	Unbilled dues	-	-
	Not due	-	-
	Less than 6 months	11	1
	6 months -1 year	18	2
	1-2 Years	31	18
	2-3 years	42	19
	More than 3 years	134	101
	sub-total	**236**	**141**
Less: Provision for expected credit loss		**(1,212)**	**(1,188)**
Total		**23,828**	**23,021**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

12.1 Cash and cash equivalents

	As at March 31, 2023	As at March 31, 2022
Balances with banks		
In current accounts (Refer note 48(b))	698	208
Cheques on hand	116	62
Total cash and cash equivalents	**814**	**270**

12.2 Bank balances other than cash and cash equivalents

	As at March 31, 2023	As at March 31, 2022
In unpaid dividend accounts	1	1
In unpaid public deposit accounts [Refer note (a) below]	0	3
Bank deposits due to mature within 12 months from the reporting date [Refer note (b) below]	7,681	54
Total bank balances other than cash and cash equivalents	**7,682**	**58**

Note :

a) Includes Nil (2022: ₹1 million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years and for which duly discharged deposit receipts were not received from deposit holders.

b) Bank deposits due to mature within 12 months includes ₹53 million (2022 : ₹54 million) of deposits held under lien.

13A Equity share capital

	As at March 31, 2023	As at March 31, 2022
Authorised		
2,827,500,000 equity shares of ₹2 each (2022: 2,740,000,000 equity shares of ₹2 each) (Refer note 49)	5,655	5,480
173,700,000 preference shares of ₹10 each (2022: 171,200,000 preference shares of ₹10 each) (Refer note 49)	1,737	1,712
	7,392	**7,192**
Issued, subscribed and paid-up		
727,350,853 equity shares of ₹2 each (2022: 726,638,715 equity shares of ₹2 each) fully paid up	1,455	1,453
	1,455	**1,453**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2023	No. of Shares	As at March 31, 2022
Balance at the beginning of the year	726,638,715	1,453	726,638,715	1,453
Add: equity shares issued during the year	712,138	2	-	-
Balance at the end of the year	**727,350,853**	**1,455**	**726,638,715**	**1,453**

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of ₹2 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any, in proportion to their holdings.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

Out of the equity shares issued by the Company, shares held by the holding company are as below:

	No. of Shares	As at March 31, 2023	No. of Shares	As at March 31, 2022
Diageo Relay B V (wholly owned subsidiary of Diageo Plc) [Refer note (i) below]	406,447,245	813	406,447,245	813
	406,447,245	**813**	**406,447,245**	**813**

(d) During the current year, pursuant to amalgamation of PDL with the Company, the Company alloted 712,638 shares to the minority shareholders of PDL for consideration other than cash. (Refer note 49) There have been no shares issued for consideration other than cash during four immediately preceding previous years.

(e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Diageo Relay B V [Refer note (i) below]	406,447,245	55.88%	406,447,245	55.94%

(f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

(g) There are no bonus shares issued or bought back during the period of five years immediately preceding the reporting date.

(h) Details of shares in the Company held by subsidiaries, associates or controlled trusts

	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit Trust [Refer Note (a) of note (4.1)]	17,295,450	2.38%	17,295,450	2.38%

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(i) On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo Plc. setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares on ₹10 each (prior to the face value of the shares being split from ₹10 each to ₹2 each during the year ended March 31, 2019) in the Company to Diageo Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of special leave petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Diageo Relay B V. Such shares are included in arriving at Diageo Relay BV's shareholding in the Company.

(j) Disclosure of shareholding of promoters

Name of promoter	As at March 31, 2023		As at March 31, 2022		% Change during the year
	No. of Shares	% of total shares	No. of Shares	% of total shares	
Diageo Relay B V	406,447,245	55.88%	406,447,245	55.94%	0.06%
United Breweries Holdings Limited	5,568,895	0.77%	5,568,895	0.77%	-
Vijay Mallya	62,550	0.01%	62,550	0.01%	-
Vittal Investments Private Limited	156,350	0.02%	156,350	0.02%	-
Total	**412,235,040**	**56.68%**	**412,235,040**	**56.74%**	**0.06%**

13B Share suspense

	As at March 31, 2023	As at March 31, 2022
712,138 equity shares of ₹2/- each fully paid up (Refer to note 49)	-	2
	-	**2**

14 Reserves and surplus

	As at March 31, 2023	As at March 31, 2022
Capital reserve	944	944
Capital redemption reserve	722	722
Securities premium account	45,682	45,682
Central subsidy	2	2
Share based incentive reserve	7	(3)
Contingency reserve	110	110
General reserve	11,033	11,033
Retained earnings	(510)	(11,022)
Total reserves and surplus	**57,990**	**47,468**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Nature and purpose of reserves:

a) **Capital reserve:** Created pursuant to a Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively. The balance also includes capital reserve arising on account of amalgamation of Pioneer Distilleries Limited (""PDL"") with the Company wide order of the Honourable National Company Law Tribunal (NCLT) on December 02, 2022. (Refer note 49)

b) **Capital redemption reserve:** Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years by the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers). This also included capital redemption reserve upon amalgamation of PDL. (Refer note 49)

c) **Securities premium account:** Securities premium account is credited when shares are issued at premium. The balance is utilised in accordance with the provisions of the Act.

d) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the Honorable High Courts of Karnataka and Bombay.

e) **Share based incentive reserve:** The share-based incentive reserve is used to recognise grant date fair value of Diageo Plc's share options under Diageo PLC's share-based payment arrangements. Recharges towards under this arrangements are debited to this reserve.

f) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.

g) **General reserve:** The General reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.

h) **Retained earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

15. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2023	As at March 31, 2022
Non-current					
Unsecured					
Sales tax Deferment [Refer note (a) below]	April 21, 2024	Repayable in five equal annual installments (2019-20 to 2024-25)	12% pa	11	25
				11	**25**
Less: Current maturities of Deferred Sales Tax Liabilitiy				8	16
Total non-current borrowings				**3**	**9**
Current					
Unsecured					
Bank Overdraft	Payable on demand	Payable on demand	6.8% p.a.	-	992
Working capital loans from banks [Refer note (b) below]	Payable on demand	Payable on demand	6.8% p.a.	-	2,400
Total				**-**	**3,392**
Add: Current maturities of Deferred Sales Tax Liabilitiy				8	16
Total current borrowings				**8**	**3,408**
Total borrowings				**11**	**3,417**

Notes:

a) Sales tax collected under deferral scheme of State Government of Maharashtra for 11 years (from 1999-00 to 2009-10) and is repayable in 5 equal annual installmets with final installment due in 2024-25.

b) Net debt reconciliation

(i) Net debt summary:

Particulars	Note	As at March 31, 2023	As at March 31, 2022
Non-current borrowings	15	3	9
Current borrowings	15	8	3,408
Lease liabilities	3.2	1,822	2,637
Total debt		1,833	6,054
Less: Cash and cash equivalents	12.1	814	270
Net debt		**1,019**	**5,784**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(ii) Movements in net debt:

Particulars	Lease liabilities	Sales tax deferment	Working capital loans	(Less) Cash and cash equivalents	Net debt
Net debt as at March 31, 2021	**1,578**	**-**	**5,560**	**(492)**	**6,646**
Borrowings on account of amalgamation (Refer note 49)	-	45	3,189	-	**3,234**
Balance as on April 1, 2021	**1,578**	**45**	**8,749**	**(492)**	**9,880**
Acquisition- leases (net)	2,061	-	-	-	**2,061**
Net proceeds from / (Repayment of) working capital loans	-	-	(5,357)	-	**(5,357)**
Interest expense (Refer note 27)	119	-	380	-	**499**
Interest paid	(119)	-	(380)	-	**(499)**
Principal lease payments	(1,002)	-	-	-	**(1,002)**
Cash flows	-	(20)	-	222	**202**
Net debt as at March 31, 2022	**2,637**	**25**	**3,392**	**(270)**	**5,784**
Acquisition- leases (net)	425	-	-	-	**425**
Net proceeds from / (Repayment of) working capital loans	-	-	(3,392)	-	**(3,392)**
Interest expense (Refer note 27)	160	-	203	-	**363**
Interest paid	(160)	-	(203)	-	**(363)**
Principal lease payments	(1,240)	-	-	-	**(1,240)**
Cash flows	-	(14)	-	(544)	**(558)**
Net debt as at March 31, 2023	**1,822**	**11**	**-**	**(814)**	**1,019**

16. Other financial liabilities

	As at March 31, 2023	As at March 31, 2022
Current		
Unpaid / unclaimed dividends [Refer note (a) below]	1	1
Unpaid / unclaimed public deposits (Including accrued interest) [Refer notes (a) and (b) below]	-	3
Others		
Due to Tie-up manufacturing units	598	464
Capital creditors	199	237
Employee benefits payable	1,429	949
Other financial liabilities	619	272
Total other current financial liabilities	**2,846**	**1,926**

Notes:

(a) As at March 31, 2023 no balances are due to be transferred to IEPF (2022: Nil)

(b) Includes unclaimed public deposit which had matured in earlier years of Nil (2022: ₹1 million) for which the duly discharged fixed deposit receipts have not been received from the deposit holders.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

17. Provisions

	As at March 31, 2023		As at March 31, 2022	
	Current	Non-current	Current	Non-current
Employee benefits				
Compensated absences	373	-	446	-
Gratuity	-	-	3	17
Pension liability [Refer note 38(b)(C)]	1	9	1	10
Share appreciation rights (Refer note 34)	158	114	90	122
Provident fund obligation [Refer note 38(b)(C)]	57	-	79	-
Provision for indirect tax and other legal matters [Refer note (a) below]	3,102	-	3,992	-
Commitment towards "Raising the Bar" programme [Refer note (b) below]	24	-	248	-
Total provisions	**3,715**	**123**	**4,859**	**149**

Notes:

(a) Movement in provisions for indirect taxes and other legal matters

Description	Opening as at April 1, 2022	Taken over on amalgamation (Refer note 49)	As at April 1, 2022	Additions/ (amounts written back)*	Amounts utilised	As at March 31, 2023
Indirect taxes and other legal matters [refer (i) and (iii) below]	3,721	271	3,992	(875)	15	3,102

* Refer to note 22

(b) Movement in Commitment towards "Raising the Bar" programme

Description	As at April 1, 2022	Additions/ amounts written back	Amounts utilised	As at March 31, 2023
Commitment towards "Raising the Bar" programme	248	-	224	24

(i) Provision for Indirect taxes and other legal matters includes provisions for disputed sales tax, customs duty, state excise duty, levy of water charges and other matters.

(ii) Provision is made for probable cash outflow arising out of pending or potential indirect tax disputes / litigations. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings. Refer Note 9 for payments made under protest in respect of indirect tax and other legal matters.

iii) Pursuant to the amalgamation of PDL with the Company, the Company has taken over the pending water charges dispute. The Water Resources Department (WRD) had raised demands for additional water charges from November 2018 to the year ended March 31, 2023. In respect of this matter, PDL had filed a petition before the Bombay High Court (Aurangabad Bench), challenging these demands. An interim relief was granted by the Aurangabad Bench against any coercive steps to be taken against the Company. Subsequently, the Company challenged these demand notices before the Primary Dispute Resolution Officer and thereafter, in appeal before Maharashtra Water Resources Regulatory Authority (MWRRA). The demands and adverse order passed by MWRRA are currently under challenge in a writ petition before Bombay High Court (at Bombay). There is an interim protection in Company's favour as against enforcement of demands by WRD. Based on a legal opinion obtained and internal evaluation, Management believes that the Company is carrying adequate provision in the books for the probable rates of water charges applicable to the Company. Any further cash outflow on account of this matter is considered as remote.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

18. Trade payables

	As at March 31, 2023	As at March 31, 2022
Dues to Micro and Small enterprises	502	792
Dues to creditors other than Micro and Small enterprises		
Dues to related parties [Refer note 36(c)(iii)]	2,790	2,950
Others	14,091	11,537
Total trade payables	**17,383**	**15,279**

Trade Payables ageing schedule is set-out below:

Particulars		As at March 31, 2023	As at March 31, 2022
(i)	**Undisputed dues - Micro and small enterprieses**		
	Unbilled	-	-
	Not due	376	585
	Less than 1 year	114	178
	1-2 years	2	12
	2-3 years	7	3
	> 3 years	3	7
	sub-total	**502**	**785**
(ii)	**Undisputed dues - Others**		
	Unbilled	8,117	5,188
	Not due	6,287	4,564
	Less than 1 year	2,036	4,279
	1-2 years	45	369
	2-3 years	316	18
	> 3 years	80	53
	sub-total	**16,881**	**14,471**
	Disputed dues - MSME		
	Not Due	-	7
	Disputed dues - Others		
	Not Due	-	16
		-	**23**
Total		**17,383**	**15,279**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

19. Other current liabilities

	As at March 31, 2023	As at March 31, 2022
Contract liabilities	512	234
Statutory liabilities	3,636	2,834
Liability for taxes on closing inventory (net of prepaid taxes)	3,392	5,065
Total other current liabilities	**7,540**	**8,133**

20. Revenue from operations

	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue from contracts with customers:		
Sale of products (includes excise duty)	274,487	306,261
Income from brand franchise arrangements	714	893
	275,201	**307,154**
Other operating revenue:		
Scrap sales	447	445
Miscellaneous	127	132
	574	**577**
Total revenue from operations	**275,775**	**307,731**
Reconciliation between contract price and revenue recognised		
Contract price	288,341	319,111
Less: Items offset against revenue from contracts with customers as required under Ind AS 115	(13,140)	(11,957)
Revenue from sale of products	**275,201**	**307,154**
Dissaggregation of revenue from contracts with customers		
Categories of products		
Prestige and above	83,572	68,050
Popular	18,371	24,580
Others	1,220	1,030
Add: Excise duty collected from customers	172,038	213,494
Total	**275,201**	**307,154**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

21. Other income

	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest income on fixed deposits held at amortised cost	284	15
Unwinding of interest on government grant	16	30
Interest income from loans to subsidiaries held at amortised cost [Refer Note 36(b)(vi)]	42	149
Gain on disposal of property, plant and equipment (net)	203	123
Profit on sale of investment	166	6
Fair value gains on current investments (net)	25	-
Bad debts / advances recovered	3	-
Miscellaneous income	3	14
Total other Income	**742**	**337**

22. Cost of materials consumed

	For the year ended March 31, 2023	For the year ended March 31, 2022
Raw materials*	34,968	29,346
Packing materials	18,402	18,548
Total cost of materials consumed	**53,370**	**47,894**

*The Company had created provisions to cover for probable outflows towards duties on actual losses in the liquor manufacturing process from the financial year ended March 31, 2019. During the year, the Company has established that the process losses arose on account of natural causes and accordingly no additional excise duty is payable on such losses. As a result, the Company has reversed ₹564 million in cost of materials consumed and reversed related interest of ₹161 million under finance cost in the Statement of Profit and Loss Account.

23. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening inventory:		
Finished goods	8,233	7,181
Work-in-progress	6,072	5,956
Stock-in-trade	1,510	1,338
Assets taken over on account of amalgamation (Refer note 49):		
Finished goods	-	73
Work-in-progress	-	333
Total opening balance (A)	**15,815**	**14,881**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	For the year ended March 31, 2023	For the year ended March 31, 2022
Closing inventory:		
Finished goods	5,500	8,233
Work-in-progress	6,018	6,072
Stock-in-trade	3,897	1,510
Total closing balance (B)	**15,415**	**15,815**
Increase / (decrease) in excise duty on finished goods, net (C)	(1,694)	106
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**(1,294)**	**(828)**

24. Employee benefits expense

	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries, wages and bonus	5,223	5,546
Contribution to provident and other funds [Refer note 38(a)]	98	115
Defined benefits plans cost [Refer note 38(b)D]	157	232
Share based payment expense (Refer note 34)	233	252
Staff welfare expenses	360	351
Total Employee benefits expense	**6,071**	**6,496**

25. Depreciation, amortisation and impairment expense

	For the year ended March 31, 2023	For the year ended March 31, 2022
Depreciation / impairment of property, plant and equipment (Refer note 3.1)	1,295	1,687
Depreciation of right-of-use assets (Refer note 3.2)	1,301	1,099
Amortisation / impairment of intangible assets (Refer note 3.4)	110	100
Total Depreciation, amortisation and impairment expense	**2,706**	**2,886**

26. Other expenses

	For the year ended March 31, 2023	For the year ended March 31, 2022
Consumption of stores and spares	161	179
Sub-contracting charges	908	1,092
Power and fuel	166	180
Rent (Refer note 3.2)	2,312	2,516

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	For the year ended March 31, 2023	For the year ended March 31, 2022
Repairs and maintenance:		
Buildings	45	31
Plant and machinery	354	461
Others	304	299
Insurance	168	180
Rates and taxes	1,359	521
Travel and conveyance	503	278
Legal and professional	1,328	1,195
Auditors' remuneration (Refer note below)	61	54
Freight outwards	2,836	2,764
Royalty [Refer Note 36(b)(x)]	129	55
Trade mark license fees	-	432
Exchange loss (net)	1	7
Remuneration to non-executive directors:		
Sitting fee	5	8
Commission	24	24
Allowance for doubtful other assets (net)	173	158
Expense towards corporate social responsibility (Refer note 45)	192	76
Information technology and communication expenses	830	884
Sales distribution charges	1,537	1,270
Miscellaneous expenses	286	371
Total Other expenses	**13,682**	**13,035**
Note:		
Auditors' remuneration*		
a) as auditors		
for Statutory audit	19	**21**
for Quarterly reviews	10	**10**
for Certifications	3	**4**
b) for other audit related services	29	**19**
Total payment to auditors	**61**	**54**

* Excluding goods and services tax

27. Finance costs

	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest charges on lease liabilities	160	119
Interest expense on borrowings at amortised cost	203	380
Interest- others*	676	381
Total finance costs	**1,039**	**880**

*Refer to note 22

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

28. Exeptional Items (net)

		Note	For the year ended March 31, 2023	For the year ended March 31, 2022
(a)	Gain due to liquidation of subsidiaries		-	89
(b)	Gain on disposal of Investment in associate		-	5
(c)	COVID public health infrastructure commitment		-	(100)
(d)	Reversal of loss allowance on loans due from subsidiaries		-	4
(e)	Provision for impairment of property, plant and equipment		-	(340)
(f)	Pre-paid brand fee charged to expense		-	(864)
(g)	Claim from customer		-	(354)
(h)	Impairment in the value of Investment and loan of a subsidiary	48 (a)	(129)	-
(i)	Profit on sale of Business Undertaking	48 (b)	3,796	-
(j)	Supply Restructuring Cost	48 (c)	(1,574)	-
(k)	Voluntary Separation Scheme	48 (d)	(384)	-
	Total exceptional items, net		**1,709**	**(1,560)**

29. Reconciliation of tax expense and accounting profit multiplied by India's tax rate

	For the year ended March 31, 2023	For the year ended March 31, 2022
Profit before income tax expense	12,893	10,115
Tax at Indian tax rate @ 25.17% (2022: 25.17%)	3,245	2,546
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Provision for disputed taxes of earlier years (net of reversal)	(206)	(243)
Gain on sale of subsidiary	-	(24)
Impact of recognition of unrecognised deferred tax asset on capital losses pursuant to sale of business undertaking	(955)	-
Impairment on investment in subsidiaries and associate and allowance for doubtful loans to subsidiaries (net of reversals)	32	-
Current tax benefit on account of brought forward losses relating to PDL (Refer note 7 and 49)	-	(768)
Reversal of provisions/ write offs (net) which were not claimed as allowable expenses in earlier years	13	(19)
Impairment provision on land on which deferred tax asset has not been recognised	153	-
Others	94	114
Total	**(869)**	**(940)**
Income tax expense as per Statement of Profit and Loss	**2,376**	**1,606**

Note:

i) Deferred income tax assets have not been recognized on long term and short term capital losses aggregating to ₹5,272 million (2022: ₹3,368 million) as it is not probable that long term and short term capital gains would be available in the foreseeable future to offset such losses.

ii) Capital losses amounting to ₹382 million and ₹4,890 million will expire in financial years ending March 31, 2027 and March 31, 2031, respectively.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

30. Earnings per share

		As at March 31, 2023	As at March 31, 2022
Nominal value of equity shares (in ₹)		2/-	2/-
(a)	Profits attributed to equity holders of the Company	10,517	8,509
(b)	Weighted average number of equity shares used as denominator	727,350,853	727,350,853
	- Issued/paid up share capital	727,350,853	726,638,715
	- Shares pending allotement (in share suspense) (Refer note 49)	-	712,138
(c)	Basic and diluted earnings per share (in ₹)	14.46	11.70

Notes:

(a) There are no dilutive equity shares in the Company.

(b) In calculating the weighted average number of outstanding equity shares during the year, Company has not reduced the own shares held by USL Benefit Trust (of which Company is the sole beneficiary), as the investment in the said Trust has been accounted under a scheme approved by courts [Refer Note (a) of Note 4.1].

Note 31: Financial risk management

The Company's activities exposes it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks, trade receivables, loans and other financial assets measured at amortised cost	Ageing analysis and review of receivables and other financial assets	Diversification of bank deposits, review of mutual fund schemes and its underlying exposure, monitoring of credit limits and assessment of recoverability of loans to subsidiaries and other counterparties
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Investment in highly marketable and liquid investments and availability of committed credit lines
Market risk – interest rate	Short-term borrowings at floating rates, deposits with bank and Debt Mutual funds	Sensitivity analysis of interest rates	Monitoring of changes in interest rates

The Company's financial risk management is carried out by treasury department under policies approved by the Board. Corporate treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's other functions. The Board sets written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk, and investment of excess funds.

The Company does not have significant exposure to foreign currency fluctuations.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(A) Credit risk

Credit risk management

Trade receivables:

Company's Credit policy provides guidance to keep the risk of credit sales within an acceptable level. The Company's management monitors (at customer group level) and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are unsecured and are derived from revenues earned from two main classes of customers, receivable from sales to government corporations/ government owned entities and receivables from sales to private third parties.

Receivables from government corporations/ government owned entities amounted to ₹12,297 million; 49% (2022: ₹14,342 million; 59%) and private customers amounted to ₹12,743 million; 51% (2022: ₹9,867 million; 41%) respectively, of total trade receivables, on the reporting date.

The Company determines allowances for expected credit losses separately for different categories of customers using aged based provision matrix.

Movement in loss allowances for trade receivables is provided below:

Particulars	March 31, 2023	March 31, 2022
Balance at the beginning of the year	1,188	1,490
Loss allowance (net)	70	(155)
Write offs	(46)	(147)
Balance at the end of the year (Refer Note 11)	**1,212**	**1,188**

Expected credit loss ageing schedule is given below:

Particulars	Expected Loss Rate	March 31, 2023	March 31, 2022
Not due	2%	440	524
Less than 3 months	5%	44	62
3 months - 6 months	6%	8	100
6 months -1 year	28%	72	31
1-2 Years	75%	162	148
2-3 years	96%	100	27
More than 3 years	100%	386	296
Total		**1,212**	**1,188**

Loans and other financial assets:

'Other financial assets' includes balances with banks, receivable from Tie-up manufacturing units, government grants, loans including loans to subsidiaries and interest accrued on such loans.

The Company recognises allowances using expected credit loss method on Other financial assets. Such allowances are measured considering either 12-month expected credit loss approach or life time credit loss approach, based on management's assessment of credit risk. Assets are written-off where there is no reasonable expectation of recovery. Where the loans or receivables are written-off the Company continues to engage in enforcement activity to attempt to recover the amounts due. Where recoveries are made, these are recognised in profit or loss.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Movement in loss allowances for financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2023	March 31, 2022
Balance at the beginning of the year	14,306	14,509
Loss allowance recognised:		
• Included in the Statement of Profit and Loss	(190)	26
Restatement of loss allowance recognised in earlier years in respect of credit impaired loans to overseas subsidiaries in foreign currency (*)	38	(12)
Write offs	(205)	(217)
Balance at the year end (Refer Note 5 and 6)	**13,949**	**14,306**

(*) Loans denominated in foreign currency to subsidiaries are credit impaired. Exchange differences arising on restatement of such loans at year-end exchange rates, are offset against an equivalent restatement of loss allowances at year end exchange rates, and hence there is no impact on the statement of profit and loss, on this account.

The Company has credit risk from loans provided to subsidiaries:

- Loans to overseas subsidiary - These loans are classified as credit impaired and have been fully provided for as these subsidiaries are non-operative and do not have the resources to repay the loans.

- Loans to domestic subsidiaries - Management has determined the amount of impairment considering the expected manner of recovery, contractual terms and estimated future cash flows. Based on this assessment, management has concluded that no material allowance for expected credit loss is required in respect of loans to domestic subsidiaries.

Management has assessed credit risk for balances with banks, investments in mutual funds and other financial assets as at year ended March 31, 2023. Basis this assessment management has determined that no additional provision for expected credit loss is required, other than those already provided in these financial statements.

(B) Liquidity Risk

The company monitors daily and monthly rolling forecasts of the liquidity position and cash and cash equivalents on the basis of expected cash flows. Generally, any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in bank deposits, debt mutual funds and other highly rated corporate debentures to optimise the cash returns on investments guided by the tenets of safety, liquidity and returns.

Financing arrangements

The Company has access to the following undrawn unsecured borrowing facilities as at end of the reporting period:

Particulars	As at March 31, 2023	As at March 31, 2022
Floating rate Cash credit / working capital loans	12,957	26,419

The above facilities may be drawn at any time and such borrowings are repayable on demand.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Maturities of financial liabilities

The maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Company.

March 31, 2023

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Lease liabilities	319	301	494	537	311	55	2,017
Trade payables	17,383	-	-	-	-	-	17,383
Other financial liabilities	2,846	-	-	-	-	-	2,846
Borrowings	-	-	8	3	-	-	11
Total liabilities	**20,548**	**301**	**502**	**540**	**311**	**55**	**22,257**

March 31, 2022

Particulars	Payable on demand	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Lease liabilities	-	377	365	690	997	581	20	3,030
Trade payables	-	15,279	-	-	-	-	-	15,279
Other financial liabilities	-	1,926	-	-	-	-	-	1,926
Borrowings	3,392	-	-	16	-	9	-	3,417
Total liabilities	**3,392**	**17,582**	**365**	**706**	**997**	**590**	**20**	**23,652**

(C) Interest rate risk

Interest rate risk arises due to uncertainties about the future market interest rate on the borrowings or investments. The Company has repaid all the borrowings by the end of the financial year, except for a liability towards sales tax deferral scheme. As the Company is debt-free, exposure to interest rate risk is negligible.

Further, treasury activities, focused on managing investments in debt instruments, are centralised and administered under a set of approved policies and procedures guided by the tenets of safety, liquidity and returns. This ensures that investments are made within acceptable risk parameters after due evaluation. The Company's investments are predominantly held in fixed deposits, mutual funds and highly rated corporate debentures.

The Company invests in debt mutual fund schemes of leading fund houses. Such investments are susceptible to market price risks that arise mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the mutual fund schemes in which the Company has invested, such price risk is not significant.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

In addition to debt mutual funds, the Company invests in term deposits with banks. Considering material term deposits are of a short-term nature, there is no significant interest rate risk pertaining to term deposits.

The exposure of the Company's borrowings to interest rate changes at the end of previous year as follows:

Particulars	As at March 31, 2023	As at March 31, 2022
Floating rate borrowings	-	3,392
Fixed rate borrowings	11	25
Total borrowings	**11**	**3,417**

Sensitivity:

Profit or loss is sensitive to fluctuation in interest rates on floating rate borrowings.

Interest Rates	As at March 31, 2023	As at March 31, 2022
Increase by 50 bps	-	(170)
Decrease by 50 bps	-	170

(D) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions and balances, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and monetary assets and liabilities denominated in a currency that is not the Company's functional currency (₹). The risk is measured through a forecast of highly probable foreign currency cash flows.

Foreign currency risk management

The Company's risk management policy is to assess the Company's net exposures which is mainly represented by receivables and payables towards exports and imports respectively, and partly represented by the loans extended in foreign currencies.

The Company can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, foreign currency risk has not been hedged.

Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹ millions is as follows:

	As at March 31, 2023					
	USD	GBP	EURO	SGD	AUD	Total
Financial assets						
Cash and cash equivalents	-	-	-	-	-	-
Other financial assets	14	-	1	-	-	15
Trade receivables	217	-	-	-	-	217
Exposure to foreign currency risk (assets)	**231**	**-**	**1**	**-**	**-**	**232**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	As at March 31, 2023					
	USD	GBP	EURO	SGD	AUD	Total
Financial liabilities						
Trade payables	11	82	-	12	-	105
Other financial liabilities	8	-	-	-	-	8
Exposure to foreign currency risk (liabilities)	19	82	-	12	-	113
Net exposure (Assets/Liabilities)	**212**	**(82)**	**1**	**(12)**	**-**	**119**

	As at March 31, 2022					
	USD	GBP	EURO	SGD	AUD	Total
Financial assets						
Cash and cash equivalents	0	0	0	-	-	0
Other financial assets	1	9	9	0	-	19
Trade receivables	175	-	-	-	-	175
Exposure to foreign currency risk (assets)	**176**	**9**	**9**	**0**	**0**	**194**
Financial liabilities						
Trade payables	19	189	-	23	1	232
Exposure to foreign currency risk (liabilities)	19	189	0	23	1	232
Net exposure (Assets/Liabilities)	**157**	**(180)**	**9**	**(23)**	**(1)**	**(38)**

Notes:

a) A reasonable possible fluctuation in foreign exchange rates are not expected to have a material effect on the profit/ loss.

b) Loans given to overseas subsidiaries, denominated in foreign currency are fully provided for and hence they do not carry any foreign currency risk.

Note 32: Capital management

Risk management

The Company's objectives when managing capital is to:

a) have a balanced financial profile from short term (1 year) to mid-term (3 years) for sustainable leverage, providing;

- Headroom for future growth / expansion
- Financial flexibility in case of adverse business cycles

b) ensure the capital structure is at competitive advantage when compared to peers and other sector players through:

- Diversification of funding sources to manage liquidity and rollover risk
- Financial flexibility in case of adverse business cycles

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Net debt to equity ratio:

Particulars		As at March 31, 2023	As at March 31, 2022
Total Debt	(a)	1,833	6,054
Cash and cash equivalents	(b)	814	270
Net debt	(c) = (a) - (b)	1,019	5,784
Total equity	(d)	59,445	48,923
Net debt to equity ratio	**(c) / (d)**	**0.02**	**0.12**

Note 33: Assets pledged as security

(a) In respect of secured loans from banks ('lenders') obtained and repaid during earlier years, the Company has in most cases obtained no objection letters from lenders for the release of the hypothecation / mortgage and have filed the necessary forms with Ministry of Corporate Affairs ("MCA") to reflect the release of such charge in MCA's records. In the few remaining cases, the Company is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2023, no assets have been shown as hypothecated / mortgaged as at March 31, 2023.

(b) Further the following assets have been pledged with a bank with whom the Company is involved in a litigation [Refer Note 40(d)]

Particulars	Notes	As at March 31, 2023	As at March 31, 2022
First charge			
Freehold land	3.1	1,183	1,177
Buildings	3.1	149	147
Leasehold land	3.2	36	37
Plant and equipment	3.1	1	3
Investments as a sole beneficiary in USL Benefit Trust	4.1	1,197	1,197
Total assets pledged as security		**2,566**	**2,561**

(c) Inventory aggregating to ₹9 million (2022: ₹121 million) are in the custody of third-party tie-up manufacturing units (TMUs), which have been hypothecated by the said TMUs for securing credit facilities.

Note 34: Share based payments

Diageo Plc. share based plans

Diageo Plc. (Ultimate parent company) runs various equity settled share based plans such as Diageo Performance Incentive (DPI), Diageo Executive Long Term Incentive Plan (DELTIP), Performance Share Plan (PSP) and Senior Executive Share Option Plan (SESOP) and Diageo Exceptional Stock Award Plan (DESAP) for qualifying employees of the Group. Vesting under these plans is subject to conditions such as continuity of employment and achievement of certain other performance factors.

The charge for the year in respect of such plans included in employee benefits expense amounted to ₹72 million (March 31, 2022: ₹52 million).

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employees' reward to Company's share price performance. Under this plan, Company grants stock appreciation rights (based on USL share price on the date of grant) to qualifying employees. Cash pay-out equivalent to the value of the Company's share will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs is determined using the Black-Scholes model using the following inputs at the grant dates and as at each reporting date:

Particulars	As at March 31, 2023	As at March 31, 2022
Share price as at balance sheet date (remeasurement date) (₹ per share)	756.30	888.40
Expected volatility (%)	29.70%	33.71% -36.16%
Dividend yield (%)	-	-
Risk-free interest rate (%)	7.29%	5.66%

As at March 31, 2023 outstanding SARs are 712,276 (March 31, 2022: 606,072). Refer below for summary of movement in provision for SAR:

Particulars	Note	Amount
Provision as at April 1, 2021		**120**
Charge for the year	24	200
Payout during the year		(108)
Provision as at March 31, 2022	17	**212**
Charge for the year	24	161
Payout during the year		(101)
Provision as at March 31, 2023	17	**272**

Provision as at the year-end classified as:

Particulars	As at March 31, 2023	As at March 31, 2022
Current	158	90
Non-current	114	122
Total	**272**	**212**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 35: Financial Instruments:

Financial instrument by category:

Particulars	As at March 31, 2023			
	Amortized Cost	Fair Value through Profit and Loss	Fair Value through Other comprehensive income	Total
Financial Assets:				
Liquid mutual fund units (Refer note 4.2)	-	2,397	-	2,397
Non-convertible debentures (Refer note 4.2)	161	-	-	161
Loans (Refer note 5)	1,087	-	-	1,087
Other financial assets (Refer note 6)	2,827	-	-	2,827
Trade Receivables (Refer note 11)	23,828	-	-	23,828
Cash and Cash equivalents (Refer note 12.1)	814	-	-	814
Bank balance other than cash and Cash equivalents (Refer note 12.2)	7,682	-	-	7,682
Total	**36,399**	**2,397**	**-**	**38,796**
Financial Liabilities:				
Borrowings (Refer note 15)	11	-	-	11
Other financial liabilities (Refer note 16)	2,846	-	-	2,846
Trade Payables (Refer note 18)	17,383	-	-	17,383
Total	**20,240**	**-**	**-**	**20,240**

Particulars	As at March 31, 2022			
	Amortized Cost	Fair Value through Profit and Loss	Fair Value through Other comprehensive income	Total
Financial Assets:				
Liquid mutual fund units (Refer note 4.2)	-	2,221	-	2,221
Loans (Refer note 5)	1,388	-	-	1,388
Other financial assets (Refer note 6)	2,287	-	-	2,287
Trade Receivables (Refer note 11)	23,021	-	-	23,021
Cash and Cash equivalents (Refer note 12.1)	270	-	-	270
Bank balance other than cash and Cash equivalents (Refer note 12.2)	58	-	-	58
Total	**27,024**	**2,221**	**-**	**29,245**
Financial Liabilities:				
Borrowings (Refer note 15)	3,417	-	-	3,417
Other financial liabilities (Refer note 16)	1,926	-	-	1,926
Trade Payables (Refer note 18)	15,279	-	-	15,279
Total	**20,622**	**-**	**-**	**20,622**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Fair value hierarchy:

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows below:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Accordingly, Investment in mutual funds is considered as Level 1 and measured at fair value through profit or loss. All other financial instruments are considered as Level 3 which are on amortised cost.

Trade receivables, short-term loans, bank deposits, cash and cash-equivalents, receivable from TMUs, trade payables and other financial liabilities (excluding lease liabilities) have tenure of less than 12 months. Accordingly, their carrying amounts are considered to be a fair approximation of their fair values.

Management has determined that the fair values of government grants, receivable from TMUs, security deposits and other receivables are not materially different from their carrying amounts as at March 31, 2023.

Note 36: Related party disclosures

(a) Names of related parties and description of relationship

(i) Parent entities

- Diageo plc United Kingdom (Ultimate Holding company)
- Tanqueray Gordon & Company Ltd., United Kingdom (Holding Company of Diageo Relay B V)
- Diageo Relay B V, Netherlands (Holding Company)

(ii) Subsidiaries

Name of the subsidiariy	% of ownership interest	Country of Incorporation
Indian Subsidiaries		
Royal Challengers Sports Private Limited	100	India
Sovereign Distilleries Limited (upto January 24, 2023)	100	India
Overseas Subsidiaries		
Asian Opportunities and Investments Limited	100	Mauritius
McDowell & Co. (Scotland) Limited	100	Scotland, U.K.
Palmer Investment Group Limited	100	British Virgin Islands
Shaw Wallace Overseas Limited	100	U.K.
United Spirits (Great Britain) Limited	100	U.K.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the subsidiariy	% of ownership interest	Country of Incorporation
United Spirits (Shanghai) Trading Company Limited (up to January 12, 2023)	100	China
United Spirits (UK) Limited	100	U.K.
United Spirits Singapore Pte Ltd (up to November 4, 2022)	100	Singapore
USL Holdings (UK) Limited	100	U.K.
USL Holdings Limited	100	British Virgin Islands

iii) Other entity where there is control

- USL Benefit Trust, India

iv) Associate

Name of the associate	% of ownership interest	Country of Incorporation
Nao Spirits & Beverages Private Limited [w.e.f April 29, 2022 Refer to note 50]	9.3%	India

(v) Fellow subsidiaries (with whom transactions have taken place during the year or in the previous year)

- Diageo Scotland Limited
- Diageo Brands B.V.
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Supply Pte. Ltd.
- Guinness Nigeria Plc
- Diageo Ireland
- Diageo Business Services India Private Limited
- UDV Kenya Limited
- Diageo Singapore Pte Ltd.
- Diageo India Private Limited
- Diageo Indonesia (PT Langgeng Kreasi Jayaprima)

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(vi) Employees' Benefit Plans:

- McDowell & Company Limited Staff Gratuity Fund
- McDowell & Company Limited Officers' Gratuity Fund
- McDowell & Company Limited Employees Provident Fund
- Phipson & Company Limited Management Staff Gratuity Fund
- Phipson & Company Limited Gratuity Fund
- Carew & Company Ltd. Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust
- Shaw Wallace Employee Welfare Trust
- Pioneer Distilleries Employees' Gratuity Trust

(vii) Key management personnel

- Anand Kripalu (Managing Director and Chief Executive Officer) till June 30, 2021
- Hina Nagarajan (Managing Director and Chief Executive Officer) w.e.f. July 1, 2021
- Pradeep Jain (Chief Financial officer and Executive Director) w.e.f February 1, 2023

(viii) Non-executive / Independent directors

- Mahendra Kumar Sharma – Chairman
- V. K. Viswanathan
- Dr. Indu Shahani
- D. Sivanandhan
- Rajeev Gupta
- John Thomas Kennedy
- Randall Ingber (till January 31, 2023)
- Vinod Rao (till December 16, 2021)
- Mark Sandys (w.e.f. April 1, 2022)
- Mamta Sundara (w.e.f February 1, 2023)

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 36(b): Summary of the transactions with related parties

	Name of the related party	Relationship	For the year ended March 31, 2023	For the year ended March 31, 2022
(i)	**Investments in equity shares**			
	Sovereign Distilleries Limited	Subsidiary	-	148
	Total- investments in equity shares		**-**	**148**
(ii)	**Investment in associate**			
	Nao Spirits & Beverages Private Limited	Associate		
	- Equity shares carried at cost		115	-
	- Compulsary convertible preference shares carried at fair value through profit and loss		200	-
	Total- Investment in associate		**315**	**-**
(iii)	**Sale of products (including excise duty) To**			
	Guinness Nigeria Plc.	Fellow subsidiary	-	9
	Diageo Brands BV	Fellow subsidiary	-	12
	UDV Kenya Limited	Fellow subsidiary	3	2
	Total- Sale of products		**3**	**23**
(iv)	**Royalty and brand franchise income**			
	Guinness Nigeria Plc.	Fellow subsidiary	5	11
	Total- Royalty and brand franchise income		**5**	**11**
(v)	**Sale of Casks (Property, Plant and Equipment)**			
	Diageo Scotland Limited	Fellow subsidiary	-	154
	Total- Sale of Casks		**-**	**154**
(vi)	**Interest income on loans given to**			
	Royal Challengers Sports Private Limited	Subsidiary	41	125
	Sovereign Distilleries Limited (Including earlier years)	Subsidiary	1	24
	Total - Interest income from subsidiaries (Refer Note 21)		**42**	**149**
(vii)	**Reimbursement of expenses from**			
	Diageo plc	Parent	40	70
	Royal Challengers Sports Private Limited	Subsidiary	26	23
	Diageo India Private Limited	Fellow subsidiary	-	1
	Diageo Great Britain Limited	Fellow subsidiary	-	33
	Diageo Brands BV	Fellow subsidiary	-	8
	Diageo Scotland Limited	Fellow subsidiary	3	13
	Diageo North America Inc.	Fellow subsidiary	3	-
	Diageo Business Services India Private Limited	Fellow subsidiary	6	2
	Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Fellow subsidiary	0	13
	Total - Reimbursement of expenses received		**78**	**163**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Name of the related party	Relationship	For the year ended March 31, 2023	For the year ended March 31, 2022
(viii)	**Purchase of stock-in-trade from**			
	Diageo Brands BV	Fellow subsidiary	6,158	3,790
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	-	1
	Diageo Ireland	Fellow subsidiary	23	8
	Total- Purchase of stock-in-trade		**6,181**	**3,799**
(ix)	**Purchase of raw materials from**			
	Diageo Brands BV	Fellow subsidiary	3,712	2,138
	Total- Purchase of materials		**3,712**	**2,138**
(x)	**Royalty expense**			
	Diageo North America Inc.	Fellow subsidiary	102*	55
	Total- Royalty expense (Refer Note 26)		**102**	**55**
(xi)	**Professional charges**			
	Diageo Business Services India Private Limited	Fellow subsidiary	156	162
	Total- Professional charges		**156**	**162**
(xii)	**Cross Charge towards share based payments**			
	Diageo Great Britain Limited	Fellow subsidiary	62	124
	Total- Cross charge		**62**	**124**
(xiii)	**Other services received**			
	Advertisement and sales promotion expenses			
	Royal Challengers Sports Private Limited	Subsidiary	76	25
	Information Technology expenses			
	Diageo Great Britain Limited	Fellow subsidiary	242	221
	Diageo Business Services India Private Limited	Fellow subsidiary	55	6
	Total- Other services received		**373**	**252**
(xiv)	**Reimbursement of expenses paid to**			
	Diageo Scotland Limited	Fellow subsidiary	-	11
	Diageo North America Inc	Fellow subsidiary	-	20
	Diageo Great Britain Limited	Fellow subsidiary	-	7
	Diageo Business Services India Private Limited	Fellow subsidiary	4	6
	Diageo plc	Parent	0	2
	Total- reimbursement of expenses paid		**4**	**46**
(xv)	**Loans given to**			
	Sovereign Distilleries Limited	Subsidiary	24	21
	Royal Challengers Sports Private Limited	Subsidiary	3,239	2,478
	Total- Loans given		**3,263**	**2,499**
(xvi)	**Loans repaid by**			
	Royal Challengers Sports Private Limited	Subsidiary	3,589	3,091
	Sovereign Distilleries Limited	Subsidiary	-	119
	Total- Loans repaid		**3,589**	**3,210**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2023	For the year ended March 31, 2022
(xvii) Allowances reversed on loans / interest			
Sovereign Distilleries Limited	Subsidiary	-	4
Total allowances reversed [Refer 28(h)]		**-**	**4**
(xviii) Loans / interest written-off			
Sovereign Distilleries Limited	Subsidiary	25	0
Total allowances reversed		**25**	**0**
(xix) Corporate guarantee given			
Royal Challengers Sports Private Limited	Subsidiary	901	-
Total Corporate guarantee given		**901**	**-**
(xx) Corporate guarantee revoked			
Royal Challengers Sports Private Limited	Subsidiary	901	-
Total Corporate guarantee revoked		**901**	**-**
(xxi) Contribution to employee benefit plans			
McDowell & Company Limited Employees Provident Fund	Employee benefits plan	139	141
United Spirits Superannuation Fund	Employee benefits plan	18	26
Total- Contribution to employee benefit plans		**157**	**167**

* Royalty expense excludes Goods and Service Tax

Note 36(c): Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Name of the related party	Relationship	As at March 31, 2023	As at March 31, 2022
(i) Financial assets receivable			
Royal Challengers Sports Private Limited	Subsidiary	6	21
Diageo Scotland Limited	Fellow subsidiary	1	1
Diageo Brands BV	Fellow subsidiary	-	8
Diageo Business Service India Private Limited	Fellow subsidiary	0	2
Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Fellow Subsidiary	0	12
Diageo Plc	Parent	-	4
Total- Financial assets receivable (Refer Note 6)		**7**	**48**
(ii) Trade receivables from			
UDV Kenya Ltd	Fellow subsidiary	0	2
Guinness Nigeria Plc.	Fellow subsidiary	63	57
Total- Trade receivables (Refer Note 11)		**63**	**59**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the related party	Relationship	As at March 31, 2023	As at March 31, 2022
(iii) Trade payables to			
Diageo Plc.	Parent	0	10
Diageo Brands BV	Fellow subsidiary	2,451	2,665
Royal Challengers Sports Private Limited	Subsidiary	53	0
Diageo Great Britain Limited	Fellow subsidiary	36	135
Diageo North America Inc.	Fellow subsidiary	85	93
Diageo Scotland Limited	Fellow subsidiary	19	12
Diageo Singapore Supply Pte Limited	Fellow subsidiary	1	2
Diageo Business Services India Private Limited	Fellow subsidiary	139	29
Diageo Ireland	Fellow subsidiary	6	4
Total trade payables to related parties (Refer Note 18)		**2,790**	**2,950**
(iv) Loans (including interest) outstanding from			
(a) Principal			
Royal Challengers Sports Private Limited	Subsidiary	924	1,275
Asian Opportunities & Investments Limited	Subsidiary	590	557
United Spirits (Shanghai) Trading Company Limited	Subsidiary	-	22
USL Holdings (UK) Limited	Subsidiary	140	137
(b) Interest accrued			
Royal Challengers Sports Private Limited	Subsidiary	-	-
Total - Loans outstanding Refer Note 5)		**1,654**	**1,991**
(v) Allowance on loans at year end			
(a) Principal			
United Spirits (Shanghai) Trading Company Limited	Subsidiary	-	22
Asian Opportunities & Investments Limited	Subsidiary	590	557
USL Holdings (UK) Limited	Subsidiary	140	137
Total Allowance on loans (Refer Note 5)		**730**	**716**
(vi) Minimum offtake commitment for purchase of bulk scotch			
Diageo Scotland Limited	Fellow subsidiary	4,104	4,862

Note 36(d): Key management personnel and compensation

Executive directors	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Hina Nagarajan	Pradeep Jain	Hina Nagarajan	Anand Kripalu
Remuneration (*)	102	4 (#)	66	146 ##
Employee share-based payments (**)	17	-	3	143
Total compensation	**119**	**4**	**69**	**289**

(*) As the employee benefits obligations such as gratuity, compensated absences and bonuses are provided for the Company as a whole, the amounts pertaining to individual Key Management Personnel are not included above on an accrual basis. Such, amounts are included on payment basis.

(**) Based on options exercised.

(#) For Pradeep Jain, remuneration has been included w.e.f February 1, 2023.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(##) For Anand Kripalu, 'taxable gratuity' is also included in remuneration.

Non-executive/ Independent directors	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	0.8	4.7	1.0	4.7
V. K. Viswanathan	0.9	3.9	1.3	3.9
Dr. Indu Shahani	0.8	4.0	1.4	4.0
D. Sivanandhan	0.8	3.9	1.4	3.9
Rajeev Gupta	0.5	3.5	1.1	3.5
Total	**3.8**	**20.0**	**6.2**	**20.0**

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

Note 36 (e): General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

All loans to subsidiaries are unsecured. For tenure of the loans and interest rate, Refer Note 46(b).

Note 37: Offsetting of financial assets and financial liabilities

The Company provides volume-based incentives and rebates to certain customers. Amounts payable by Company are offset against receivables from such customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet. Details of such offset is given in the below table.

Particulars	As at March 31, 2023	As at March 31, 2022
Trade receivables (gross)	25,442	24,651
Less: Volume based incentives and rebates payable	(402)	(442)
Trade receivables as reported (Refer Note 11)	**25,040**	**24,209**

Note 38(a): Defined contribution plans

Provident Fund:

Provident Fund covers substantially all permanent workmen. Both the eligible employees and the Company make monthly contributions to the Provident Fund as per regulations to a fund administered by government authority, equal to a specified percentage of the employees' salary. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

Employee Pension Scheme:

Employee Pension Scheme covers all eligible employees (i.e., permanent workmen and executive staff) of the Company. A portion of the Company's contribution in respect of government administered Provident Fund and Company administered Provident Fund Plan is made to the government administered Employee Pension Scheme, as per regulations. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Employees' State Insurance:

Employees' State Insurance is a state plan which is applicable to those employees of the Company whose salaries do not exceed a specified amount. The contributions are made based on a percentage of salary to a fund administered by government authority. The obligation of the Company is limited to the extent of contributions made on a monthly basis.

Superannuation fund:

Certain executive staff of the Company participate in United Spirits Superannuation fund (the 'Fund'), which is a voluntary contribution plan. The Company has no further obligations to the plan beyond its monthly contributions to the Fund, the corpus of which is administered by a Trust and is invested in insurance products.

National Pension Scheme:

Certain executive staff of the Company participate in National Pension Scheme, which is a voluntary contribution plan. The Company has no further obligations to the plan beyond its monthly contributions to a fund administered by a pension fund manager appointed by Pension Fund Regulatory and Development Authority.

During the year, the Company has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds under the employee benefits expense in Note 24:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Provident fund*	31	36
Employees' pension scheme	40	45
Employees' state insurance	1	1
Superannuation fund	18	26
National pension scheme	8	7
Total (Refer Note 24)	**98**	**115**

*Excludes contributions to Provident Fund Trust which are in the nature of defined benefit plans managed by the Company.

Note 38(b): Defined benefit plans

Gratuity:

The Company provides for gratuity, a defined benefit plan (the "Gratuity Plan"), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment or upon resignation from service, of an amount based on the respective employee's last drawn salary and years of employment with the Company. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The funds are managed by a trust administered by the Company.

Pension plan:

The Company operates an unfunded defined benefit pension plan for certain retired employees of an erstwhile entity which has merged into the Company in earlier years. This plan provides benefits to members in the form of a guaranteed level of pension payable for life post retirement or termination of employment. The level of benefits provided depends on their salary in the final year leading up to retirement, or termination.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Provident fund plan:

Executive staff and certain permanent workmen receive benefits from the provident fund plan, which is a defined benefit plan. Both the employees and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. A portion of Company's contribution is transferred to Employee Pension Scheme, which is a defined contribution plan and the remaining amount is transferred to provident fund plan.

The Provident Fund contributions are made to McDowell & Company Limited Employees Provident Fund Trust set up and managed by the Company. The Trust invests in specific designated instruments as permitted by Indian laws. The Company has an obligation to make good the shortfall if any, being the difference between the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Company also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation. The actuarial risk and investment risk fall, in substance, on the Company.

Gratuity, Provident Fund and Pension

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

	For the year ended March 31, 2023			For the year ended March 31, 2022		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Obligation at the beginning of the year	1,211	3,475	11	1,254	3,446	12
Taken over on account of amalgamation (Refer note 49)	-	-	-	34	-	-
Obligation at the beginning of the year after above adjustment	-	-	-	1,288	-	-
Current service cost	112	140	-	118	141	-
Past service cost	15	-	-	-	-	-
(Gain)/loss on settlements	(85)	-	-	-	-	-
Interest cost	79	251	0	79	273	0
Benefit payments from plan assets	(185)	(1,125)	-	(183)	(535)	-
Transfer in/Out	-	165	-	-	105	-
Employee contributions	-	189	-	-	194	-
Benefit payments from the Company	-	-	(1)	-	-	(1)
Transfer upon sale of business undertaking (Refer note 48(b))	(38)	-	-	-	-	-
Actuarial (gain)/ loss from changes in demographic assumptions	(6)	-	-	(10)	-	-
Actuarial (gain)/ loss from changes in financial assumptions	(24)	3	(0)	(31)	(47)	(0)
Actuarial (gain)/ loss from experience adjustments	(15)	10	(0)	(50)	(102)	(0)
Obligation at the end of the year	**1,064**	**3,108**	**10**	**1,211**	**3,475**	**11**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

B. Reconciliation of opening and closing balances of the fair value of plan assets:

	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Funded)	Provident fund (Funded)
Plan assets at the beginning of the year	1,526	3,396	1,623	3,079
Taken over on account of amalgamation (Refer note 49)	-	-	16	-
Obligation at the beginning of the year after above adjustment	-	3,396	1,639	-
Employee contributions	-	189	-	194
Transfer in/ (out)	-	165	-	105
Contribution by the Company*	-	139	-	319
Return on plan assets	105	251	107	273
Actuarial gains/ (losses)	(185)	36	(37)	(39)
Benefits paid	(50)	(1,125)	(183)	(535)
Plan assets at the end of the year	**1,396**	**3,051**	**1,526**	**3,396**

*Including contribution towards shortfall in plan asset.

C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet at the end of the year:

	As at March 31, 2023			As at March 31, 2022			
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Pioneer Distilleries Employees' Gratuity Trust (Funded)	Provident fund (Funded)	Pension (Unfunded)
Present value of obligation	1,064	3,108	10	1,174	37	3,475	11
Fair value of plan assets	1,396	3,051	-	1,509	17	3,396	-
Liability/ (asset) recognised in Balance sheet (Refer Notes 9 and 17)	**(332)**	**57**	**10**	**(335)**	**20**	**79**	**11**
Current	-	57	1	-	3	79	1
Non-current	(332)	-	9	(335)	17	-	10

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

D. Expenses recognised in the Statement of profit and loss:

	For the year ended March 31, 2023				For the year ended March 31, 2022			
	Gratuity	Provident fund	Pension	Total	Gratuity	Provident fund	Pension	Total
	(Funded)	(Funded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	
Current service cost	112	140	-	252	119	141	-	260
Past service cost	15	-	-	15	-	-	-	-
(Gain)/loss on settlement	(85)	-	-	(85)	-	-	-	-
Net interest cost								
a. Interest expense on DBO	79	251	1	331	79	273	0	352
b. Interest (income) on plan assets	(105)	(251)	-	(356)	(107)	(273)	-	(380)
Total net interest cost (a+b)	(26)	-	1	(25)	(28)	-	-	(28)
Defined benefit cost (Refer Note 24)	**16**	**140**	**1**	**157**	**91**	**141**	**0**	**232**

E. Re-measurement effects recognised in Other comprehensive income (OCI):

	For the year ended March 31, 2023				For the year ended March 31, 2022			
	Gratuity	Provident fund	Pension	Total	Gratuity	Provident fund	Pension	Total
	(Funded)	(Funded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	
a. Actuarial (gain)/ loss due to demographic assumptions changes in DBO	(6)	-	-	(6)	(10)	-	-	(10)
b. Actuarial (gain)/ loss due to financial assumptions changes in DBO	(24)	3	(0)	(21)	(31)	(47)	-	(78)
c. Actuarial (gain)/ loss due to experience on DBO	(15)	12	(0)	(3)	(51)	(102)	(1)	(154)
d. Return on plan assets (greater)/ less than discount rate	51	(15)	-	36	38	39	-	77
e. Movement in asset ceiling (gain)/ loss	-	-	-	-	-	-	-	-
Total actuarial (gain)/ loss included in OCI	**6**	**-**	**(0)**	**6**	**(54)**	**(110)**	**(1)**	**(165)**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

F. Total cost recognised in Comprehensive Income:

	For the year ended March 31, 2023				For the year ended March 31, 2022			
	Gratuity	Provident fund	Pension	Total	Gratuity	Provident fund	Pension	Total
	(Funded)	(Funded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	
Expense recognised in Profit and Loss (Refer Note 24)	16	140	1	157	91	141	-	232
Remeasurements effects recognised in OCI	6	-	(0)	6	(54)	(110)	(1)	(165)
Total cost recognised in Comprehensive Income	**22**	**140**	**1**	**163**	**37**	**31**	**(1)**	**67**

G. Investment details of plan assets:

	As at March 31, 2023		As at March 31, 2022	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	74%	-	69%
Private sector bonds	-	7%	-	8%
Public sector / financial institutional bonds	-	3%	-	4%
Special deposit scheme	-	4%	-	3%
Insurance products	100%	-	100%	-
Others (including bank balances)	0%	12%	0%	16%
	100%	100%	100%	100%

H. Assumptions:

	For the year ended March 31, 2023			For the year ended March 31, 2022		
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)
Discount rate (per annum)	7.32%	7.39%	7.32%	6.91% - 6.96%	6.87%	6.91%
Rate of increase in compensation levels	10%	10%	NA	10%	10%	NA
Attrition rate	5% - 12%	5% - 12%	NA	5% - 13.5%	5% - 11%	NA
Mortality rates	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table

*IALM: Indian Assured Lives Mortality

Note: Gratuity includes PDL gratuity trust.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 38(c): Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is provided below:

Gratuity:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Discount rate	1%	1%	(50)	(76)	61	84
Compensation levels	1%	1%	57	81	(51)	(75)

Provident Fund:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Discount rate	1%	1%	(45)	(60)	105	132
Compensation levels	1%	1%	100	125	(45)	(60)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Note 38(d): Risk exposure:

Through its defined benefit plans, Company is exposed to number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to yields of government securities; if plan assets underperform this yield, this will create a deficit. Plan asset investments for provident fund are made in government securities, private sector bonds and public sector/ financial institution bonds. Plan asset investments for gratuity are made in pre-defined insurance plans. These are subject to risk of default and interest rate risk. The fund manages credit risk/ interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in bond yields	A decrease in yields of government securities will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation Risk	In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life Expectancy	The pension plan provides benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets consists of government and public sector bonds, although the Company also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective regulations.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 38(e): Effect of the defined benefit plan on the entity's future cash flows

The Company does not expect to contribute any amounts into the gratuity plan assets during the year ending March 31, 2024, considering the net surplus portion as at March 31, 2023. The Company is expected to contribute ₹153 million (2022: ₹155 million) to Provident fund during the year ending March 31, 2024.

The weighted average duration of the defined benefit obligation is 6.46 years (2022: 8.19 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2023	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
Gratuity	210	76	427	1,055	**1,768**
Provident fund	410	446	1,590	3,744	**6,190**
Total	**620**	**522**	**2,017**	**4,799**	**7,958**

March 31, 2022	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
Gratuity	135	131	376	1,603	**2,245**
Provident fund	376	410	1,471	3,508	**5,765**
Total	**511**	**541**	**1,847**	**5,111**	**8,010**

Note:

The estimates of future increase in compensation levels, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Note 39: Long term contracts, including derivative contracts

The Company does not have any derivative contracts as at March 31, 2023. The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is considered necessary based on the review of such contracts as at year end.

Note 40: Historical matters

(a) Additional Inquiry and other regulatory matters

As disclosed in each of the annual financial statements commencing from year ended March 31, 2014, upon completion in April 2015 of an inquiry into past improper transactions ('Initial Inquiry') which identified references to certain additional parties and certain additional matters, the then MD & CEO, pursuant to the direction of the Board of Directors, carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016. The Additional Inquiry *prima facie* identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appeared to be affiliated or associated with the Company's former non-executive chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in the respective prior periods. The Company has filed recovery suits against relevant parties and individuals identified pursuant to the Additional Inquiry. Additionally, the Company has also filed a suit for recovery of excess managerial remuneration amounting to ₹134 million paid to the former Executive Director and CFO (ED & CFO) for the year ended March 31, 2015. The receivable recorded in the financial statements for excess managerial remuneration has been fully provided for.

As disclosed in each of the annual financial statements commencing from the year ended March 31, 2014, in relation to the above-mentioned Initial Inquiry and Additional Inquiry and the matters arising out of the settlement agreement dated February 25, 2016

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

entered into by the Company with Dr. Vijay Mallya pursuant to which, *inter alia*, the Company and Dr. Vijay Mallya agreed a mutual release in relation to matters arising out of the Initial Inquiry ('Agreement'), the Company received letters and notices from the Securities Exchange Board of India ('SEBI') during the year ended March 31, 2016 to which the Company has responded. There has been no further communication with SEBI on these matters since the Company's response in October 2017.

As disclosed in each of the annual financial statements commencing from the year ended March 31, 2014, in connection with the investigations carried out by the Directorate of Enforcement ('ED') under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, the Company received letters and notices from ED during the year ended March 31, 2016, to which the Company responded. During the year ended March 31, 2022, the Company received a notice from the ED requesting for information, which the Company has provided. The Company has also received queries from its authorized dealer banks, based on queries from the Reserve Bank of India ('RBI'), with regard to remittances made in the prior years by the Company to its overseas subsidiaries, past acquisitions and Annual Performance Reports ('APR') for prior years, to which the Company has responded.

As disclosed in each of the annual financial statements commencing from the year ended March 31, 2019, with the objective of divesting its non-core assets, the Company reviewed its subsidiaries' operations, obligations, and compliances, and recommended a plan for rationalisation through sale, liquidation or merger ("Rationalisation Process"). After receiving approval from the Board, the Company is taking steps to implement this plan and has liquidated three overseas subsidiaries, merged one overseas subsidiary into another, amalgamated one Indian subsidiary with the Company and sold three subsidiaries, one of which was overseas and the other two in India. The Rationalisation Process is subject to regulatory and other approvals (in India and overseas). If any historical non-compliances are established during the Rationalisation Process, the Company will consult with its legal advisors, and address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliances with applicable laws, if established.

(b) Notices from the Ministry of Corporate Affairs

As disclosed in each of the annual financial statements commencing from year ended March 31, 2016, and pursuant to the inspection conducted by Ministry of Corporate Affairs ('MCA') during the year ended March 31, 2016, under Section 206(5) of the Companies Act, 2013, MCA issued show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. As at the year ended March 31, 2023, the Company is awaiting response from the Registrar of Companies (RoC) on one compounding application and one show cause notice wherein the Company had requested the RoC to discontinue further proceedings based on expert legal advice received. The penalty and compounding fees arising out of adjudication applications and compounding application are not material. The management is of the view that in line with the past compounding/ adjudication orders, the financial impact arising out of compounding/ adjudication of the residual matters will not be material to the Company's financial statements.

(c) Loan to United Breweries (Holdings) Limited ('UBHL')

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, the Company had pre-existing loans/ deposits/ advances/ accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to ₹13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). UBHL has defaulted on its obligations to pay any amounts under the Loan Agreement. The Company has already made provision in prior financial years for the entire principal amount due, of ₹13,374 million, and for the accrued interest of ₹846 million up to March 31, 2014. The Company has not recognised interest income on said loan after March 31, 2014 which cumulatively amounts to ₹11,074 million up to March 31, 2023. The Company has offset ₹2,062 million payable to UBHL arising under a trademark agreement against the principal amount of loan and interest accrued thereon receivable.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. In April 2018, the arbitral tribunal passed a final award against the Company.

The reasons for this adverse award were disputed by the Company, and the Company obtained leave from the High Court of Karnataka to challenge this arbitral award. In July 2018, the Company filed a petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Notwithstanding the arbitral award, based on management assessment supported by an external legal opinion, the Company has offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL. The Company has filed its claim with the Official Liquidator. Management has attended meetings and exchanged certain correspondence with the official liquidator during the year ended March 31, 2023 in relation to the claim filed and the set-off.

(d) Dispute with IDBI Bank Limited

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, during the year ended March 31, 2014, the Company prepaid a term loan taken from IDBI Bank Limited (the "bank") in earlier years which was secured by certain property, plant and equipment and brands of the Company as well as by a pledge of certain shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The bank disputed the prepayment, following which the Company filed a writ petition ("WP") in November 2013 before the Hon'ble High Court of Karnataka ('High Court') challenging the actions of the bank.

In February 2016, following the original maturity date of the loan, the Company received a notice from the bank seeking to recall the loan and demanding a sum of ₹459 million on account of outstanding principal, accrued interest and other amounts as also further interest till the settlement date as per the security documents.

The Company challenged this notice in the pending writ proceedings during which the High Court directed that, subject to the Company depositing ₹459 million with the bank in a suspense account, the bank should not deal with any of the secured assets including the shares until disposal of the writ petition. The Company deposited the full amount, and the bank was restrained from dealing with any of the secured assets.

In June 2019, a single judge bench of the High Court dismissed the Company's writ petition, amongst other reasons, on the basis that the matter involved an issue of breach of contract by the Company and was therefore not maintainable in exercise of the court's writ jurisdiction. The Company filed an appeal against this order before a division bench of the High Court, which was admitted and interim protection on the secured assets was reinstated. The writ appeal is pending.

Based on management assessment supported by external legal opinions, the Company continues to believe that it has a strong case on merits and therefore continues to believe that the aforesaid amount of ₹459 million remains recoverable from the bank.

In a separate proceeding before the Debt Recovery Tribunal (DRT), Bengaluru, initiated by a consortium of banks (including the bank) for recovery of loans advanced by the consortium of banks to Kingfisher Airlines Limited (KAL), the bank filed an application for attachment of the pledged shares belonging to USL Benefit Trust. DRT dismissed the said application of the bank and the bank filed an appeal against this order before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai in September 2017. The bank's appeal is pending for final hearing by the DRAT. There have been no developments with respect to this matter during the year ended March 31, 2023.

(e) Difference in yield of certain non-potable intermediates and associated process losses

As disclosed in each of the annual financial statements commencing from year ended March 31, 2019, the Company came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (the 'Authorities') as per the records being maintained in certain plants (the 'Affected Plants').

With prior information to, and engagement with, the Authorities, the Company also engaged independent third-party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants and shared these reports with the Authorities. Based on the understanding and discussion with such Authorities and advice received from external legal counsels, the Company has discharged and provided the amounts of financial obligation (which were determined to be not material) in the financial statements.

Under the direction of the board of directors, the management had engaged an independent law firm to conduct a review of past practices in this area and during the quarter ended June 30, 2019, taken appropriate action, where a violation of the Company's code of business conduct had occurred.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Considering the remedial actions taken by the management over the past years, including but not limited to engagement with appropriate state excise authorities, obtaining external assessments of process loss on intermediaries, disclosing such non-potable intermediates and associated process losses in filing/ submissions to the excise authorities and together with recent independent legal advices obtained on this matter, the Management is of the view that potential risk is remote (Refer to note 22).

Note 41: Capital and other commitments:

Particulars			As at March 31, 2023	As at March 31, 2022
(a)	Capital commitments for property, plant and equipment		492	990
(b)	Other commitments:			
	i.	relating to advertisement, sales promotion and trade-mark fee	584	675
	ii.	Towards minimum off take commitment for purchase of bulk scotch from a related party	4,104	4,862

Note 42: Contingent Liabilities

Particulars			As at March 31, 2023	As at March 31, 2022
(a)	Income tax matters		2,315	7,515
(b)	Indirect tax matters			
	(i)	State excise	1,146	1,086
	(ii)	Central excise	3	2
	(iii)	Sales tax and entry tax	4,166	3,845
	(iv)	Goods and Services Tax	118	-
	(v)	Service Tax	7	-
(c)	Other civil litigations and claims		1,419	1,606

Notes:

(a) **Income tax matters**- Income tax matters primarily relate to exposures under transfer pricing and disallowance of certain expenses that the Company had claimed as deductions in its Income Tax returns.

(b) **Indirect tax matters**- The Company has operations across various states in India. The Company has identified possible exposures relating to local sales tax, entry tax, state excise duty, goods and services tax and central excise duty.

(c) **Other civil litigations and claims-** Other civil litigations relate to various claims from third parties under dispute which are lying with various courts/ appellate authorities.

(d) **Provident fund-** The Company has evaluated the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances in the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact on the Company and accordingly, no provision has been made in the financial statements.

(e) **Use of Judgement**

Management categorizes the matters based on the probability of cash outflow, which require judgement. Management obtains the views of external consultants where necessary. Based on the assessment, management recognises liability/ provision, or discloses the matter as a

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

contingent liability, except for matters where the probability of outflow of cash is considered remote. Due to uncertainties involved in the process, actual outflows may be different from those originally estimated. The Company may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. In such cases, management has determined that any potential future cash outflows are not likely to be material.

(f) Management is optimistic of a favourable outcome in the above matters based on legal opinions / management assessment. It is not practicable for the Company to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

(g) Contingent liabilities above do not include demands with respect to income tax and indirect tax matters wherein the Company has assessed the probability of outflows of economic benefits to be remote.

Note 43: Research expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries and wages	73	59
Contribution to provident fund and other funds	3	3
Staff welfare expenses	2	1
Rent	7	8
Miscellaneous expenses	65	26
Total Research expenses	**150**	**97**

Note 44: Dues to Micro and Small enterprises

Particulars	As at March 31, 2023	As at March 31, 2022
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end (Refer note (ii) below)	588	792
Interest due on principle amount remaining unpaid as at year end, as above, to suppliers registered under the MSMED Act and remaining unpaid as at year end	21	24
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	4,000	2,156
Interest paid, under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Interest paid, other than under Section 16 of MSMED Act, to suppliers registered under the MSMED Act, beyond the appointed day during the year	-	-
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	-	-
Interest accrued and remaining unpaid at the end of each accounting year	76	55
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the MSMED Act	76	55

Note:

(i) The above information has been determined to the extent such parties have been identified by the Company.

(ii) Includes ₹86 million which are in nature of capital creditors.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 45: Corporate Social Responsibility (CSR)

As per Section 135 of the Companies Act, 2013, a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. A CSR committee has been formed by the company as per the Act. The funds were primarily utilized through the year on these activities which are specified in Schedule VII of the Companies Act, 2013:

Details of actual CSR expenditure incurred:

		As at March 31, 2023	As at March 31, 2022
i)	Amount required to be spent by the company during the year	189	76
ii)	Amount of expenditure incurred	192	175
iii)	Shortfall at the end of the year*	-	-
iv)	Total of previous years shortfall	-	-
v)	Reason for shortfall	NA	NA
vi)	Nature of CSR activities	Employment enhancing vocation skills, Conservation of natural resources including water, promoting responsible consumption, promoting sanitation & making available safe drinking water, Any other activity, in alignment with Schedule VII.	
vii)	Details of related party transactions, e.g, contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard	NA	NA
viii)	Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision	NA	NA

The company had undertaken ongoing projects, and the unspent amount as at March 31, 2023 of ₹79 million has been transferred to a separate bank account as per Section 135(6) of the Companies Act, 2013.

The Company does not intent to carry forward any excess amount spent under CSR activities for the year ended March 31, 2023.

Note 46(a): Details of Investments (Original cost) as per Section 186 (4) of Companies Act, 2013

i) Investment in subsidiaries

Name of the Subsidiaries	Relationship	As at March 31, 2023	As at March 31, 2022
Domestic subsidiaries			
Royal Challengers Sports Private Limited	Wholly owned subsidiary	1,699	1,699
Sovereign Distilleries Limited	Wholly owned subsidiary	-	4,730
Overseas subsidiaries			
Asian Opportunities & Investments Limited	Wholly owned subsidiary	301	301
McDowell & Co. (Scotland) Limited	Wholly owned subsidiary	126	126
USL Holdings Limited	Wholly owned subsidiary	56,289	56,289
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	-	27
Shaw Wallace Overseas Limited	Wholly owned subsidiary	14	14

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the Subsidiaries	Relationship	As at March 31, 2023	As at March 31, 2022
Palmer Investment Group Limited	Wholly owned subsidiary	6,918	6,918
Montrose International S.A	Wholly owned subsidiary	-	134
Total		**65,347**	**70,238**

ii) Investment in associate:

Name of the associate	Relationship	As at March 31, 2023	As at March 31, 2022
Nao Spirits & Beverages Private Limited	Associate	315	-

Note 46(b): Details of loans (gross) as per Section 186 (4) of Colmpanies Act, 2013

Name of the borrower	Relationship	Purpose	Rate of Interest 2022-23	Rate of Interest 2021-22	Term/ Repayment schedule	As at March 31, 2023	As at March 31, 2022
Domestic subsidiaries (Refer note below):							
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Working capital	Till Jun'22 - 8% From Jul'22 to Jan'23 - 9.5% From Feb'23 to Mar'23 - 10%	8%	Principal and interest to be repaid by July 31, 2023.	924	1,275
Overseas subsidiaries:							
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Working capital / Funding towards acquisition of Bouvet Ladubay, erstwhile subsidiary	Interest free	Interest free	Term/ repayment schedule not specified.	590	557
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	-	22
USL Holdings UK Ltd	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	140	137
Others:							
United Breweries (Holdings) Limited	Unrelated	Refer Note 40(c)	9.50%	9.50%	8 years	12,378	12,378
Total						**14,032**	**14,369**

Note: As per contract, simple interest is charged for loans to domestic subsidiaries.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 47: Disclosure as per Regulation 34 (3) and 53 (f) read with Part A of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of loans/ advances/ investments outstanding as at year end

Particulars	Investments in equity / preference at cost held as at		Gross loans outstanding as at		Maximum amount of loans and advances outstanding during the year	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Asian Opportunities & Investments Limited	301	301	590	557	590	592
Shaw Wallace Overseas Limited	14	14	-	-	-	-
USL Holdings Limited	56,289	56,289	-	-	-	-
USL Holdings UK Ltd	-	-	140	137	140	143
Palmer Investment Group Limited	6,918	6,918	-	-	-	-
Montrose International S.A	-	134	-	-	-	-
United Spirits Shanghai Trading Co. Limited	-	27	-	22	24	22
McDowell & Co (Scotland) Limited	126	126	-	-	-	-
Royal Challengers Sports Private Limited	1,699	1,699	924	1,275	924	2,044
Sovereign Distilleries Limited	-	4,730	-	-	24	119
Nao Spirits & Beverages Private Limited	315	-	-	-	-	-
Total	**65,662**	**70,238**	**1,654**	**1,991**		

The aforesaid amounts are gross of provisions, if any, made based on Management assessment of recoverability. For repayment schedule and interest related terms, Refer Note 46(b).

Note 48: Exceptional Items

a) Disposal of shares held in Sovereign Distilleries Limited

On January 24, 2023, the Company completed the sale of its equity shares held by the Company in its wholly owned subsidiary, Sovereign Distilleries Ltd certain parties. The shares were sold for a total consideration of ₹320 million. Following the completion of the sale, the Company does not hold any shares in Sovereign Distilleries Private Limited and Sovereign Distilleries Private Limited has ceased to be a subsidiary of the Company. This transaction resulted in an impairment of investment and loans amounting to ₹129 million and has been accounted as an exceptional item in the Statement of Profit & Loss for the year ended March 31, 2023. Also refer note 28(h).

b) Transfer pursuant to the sale of business undertaking

Further to the announcement on May 27, 2022, the Company, on September 30, 2022: (i) completed the slump sale of the entire business undertaking associated with 32 brands in the 'Popular' segment to Inbrew Beverages Private Limited ("Inbrew"); and (ii) given effect to the franchise of 11 other brands in the 'Popular' segment in favour of Inbrew for a period of five years, with an option for Inbrew, subject to certain conditions, (a) to convert the fixed term franchise arrangement into a franchise arrangement with perpetual right to use; and / or (b) to acquire such brands (collectively, the "Transaction").

In line with the terms of the slump sale agreement, all the assets and liabilities related to the business undertaking have been transferred to Inbrew for a consideration of ₹8,180 million (after certain preclosure adjustments) and a profit on sale of the business undertaking amounting to ₹3,796 million (net-off costs attributable towards sale and accruals) is recognized as an 'exceptional item' in the financial statements for the year ended March 31, 2023.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

As per the agreement, a portion of the consideration amounting to ₹626 million is held under an escrow arrangement which would be settled within a period of 12 months from the date of closure, upon satisfaction of certain specified conditions by the Company, failing which the amount forfeits. Accordingly, the company has determined the profit on sale by considering a part of the amount held in escrow and the balance will be recognized on satisfaction of the conditions.

Pursuant to the slump sale agreement the Company opened an account with a bank and has authorised designated signatories from Inbrew to operate the account. The bank account has been opened for the sole purpose of facilitating Inbrew to receive collections from a Government customer and make payments towards liabilities of Inbrew, until certain licenses are transferred to Inbrew. The Company does not have a present right to appoint authorised signatories and has no right to the economic benefits in respect of the said bank balance. Accordingly, the Company has not recognised the transactions and the balance in the said bank account as at March 31, 2023 in these financial statements.

c) Supply Agility Programme

The Board of Directors of the Company have approved a multi-year supply chain agility programme. The programme primarily is directed towards the optimization of the existing manufacturing footprint with an intent to strengthen its end-to-end supply chain and make it fit for the future. The total implementation cost of the supply chain agility programme, majority of which are expected to be recognized as exceptional items, will be recorded when the recognition criteria are satisfied.

During the year ended, the Company has recognised a provision of ₹1,574 million under exceptional items, towards the impairment loss on property, plant and equipment covered under the programme by writing down their carrying amounts to net realizable values which includes provision on certain land holdings on account of potential regulatory risks (impaired based on independent valuation) and severance cost relating to a closed unit.

(d) Voluntary Separation Scheme

During the quarter ended June 30, 2022, the Company announced a Voluntary Separation Scheme (VSS) covering permanent workmen at four factories. Pursuant to the Scheme, the Company has recognised an amount of ₹384 million as employee separation costs which is presented as an exceptional item in the financial statements for the year ended March 31, 2023.

Note 49: Amalgamation of Pioneer Distilleries Limited ("PDL") with the Company:

The Board of Directors ("Board") of PDL and of the Company at their respective meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the amalgamation of PDL with the Company under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. The scheme was approved by the National Company Law Tribunal (NCLT) on November 4, 2022. The Scheme provided for an appointed date of April 1, 2021. The approved NCLT orders have been filed with the Registrar of Companies (RoC) on December 30, 2022. Pursuant to filing of the orders with the RoC, PDL was wound up without liquidation.

Pursuant to the scheme, the authorised equity share capital of the Company stands increased, without any further act or deed on the part of the company, including payment of stamp duty and Registrar of Companies fees, by ₹200 million, being the authorised equity share capital of the transferor company. Memorandum of Association and Articles of Association of the Company stand amended accordingly without any further act or deed on the part of the company.

In accordance with the terms of the approved Scheme, the non-promoter shareholders of PDL were to receive 10 equity shares of the Company (face value of ₹2 each) for every 47 equity shares of PDL (face value of ₹10 each), held by them as on January 06, 2023 ('record date'). Allotment of 712,138 equity shares to the non-promoter shareholder of PDL was completed on January 13, 2023. As a result, issued capital of the Company increased by 712,138 equity shares and the revised shareholding of Diageo Relay BV (the holding company, a subsidiary of Diageo plc) in the Company has changed from 55.94% to 55.88% as on the record date.

In accordance with the Scheme all assets, liabilities, employees and the business undertaking of PDL shall vest and be transferred to the Company w.e.f. the appointed date.

The amalgamation of PDL has been recorded in the financial statements using the pooling of interest method as specified by Appendix C to Ind AS 103, *Business combination of entities under common control*. The accounting treatment followed by the Company is in accordance with the accounting treatment specified in the approved Scheme. For the purpose of the financial statements, the amalgamation has been recorded from the appointed date of April 1, 2021. The accounting treatment followed by the company is as follows:

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

a) All assets, liabilities and reserves relating to PDL as appearing in the consolidated financial statements of the Company have been transferred and vested in the Company and has been recorded at the book values(In accordance with clarification issued by Ind AS Transition Facilitation Group (ITFG) vide Issue 2 to Bulletin 9).

b) The amount of any intercompany balances between PDL and the Company have been cancelled.

c) The accounting policies followed by PDL have been adjusted for differences (if any) between the accounting policies followed by the Company and the accounting policies followed by the Company have prevailed.

d) The surplus arising out of: (i) the book values of assets over the values of liabilities and reserves taken over on amalgamation; (ii) Face value of equity shares to be issued to the minority shareholders of PDL; and (iii) after considering adjustments for elimination of intercompany balances and differences in accounting policies followed by PDL, is recorded as capital reserve.

Pursuant to the above, the Company has accounted for the amalgamation with effect from the appointed date of April 1, 2021:

Particulars	Amount
Property Plant and Equipment	1,913
Capital work-in-progress	101
Other financial assets	1,032
Current tax assets	20
Other non current assets	155
Inventory*	708
Cash and cash equivalents	0
Other current assets	77
Total Assets	**4,006**
Borrowings	(4,588)
Other non current financial liabilities	(1,074)
Trade Payables	(164)
Provisions	(226)
Other current financial liabilities	(50)
Other current liabilities	(682)
Total Liabilities	**(6,784)**
Net Assets taken over (a)	**(2,778)**
Accumulated losses	3,064
Capital Reserve (b)	(66)
Capital Redemption Reserve	(23)
Total reserves (c)	**2,975**
Consideration	
Share Capital ₹1.4 million (712,138 equity shares of face value ₹2/- each fully paid) (d)	2
Capital Reserve recognised on amalgamation (e = a+c-d)	195
Net Capital Reserve recognised on amalgamation (b-e)	261

* Inventory includes finished goods of ₹73 million, work in progress of ₹333 million and others of ₹302 million.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Pursuant to the amalgamation following adjustments have been recorded in the financial statements as at April 1, 2021:

(a) The Company has recognised deferred tax credit of ₹832 million on April 1, 2021 in the financial statements in relation to un-recognised brought forward losses and deductible temporary differences of PDL.

(b) The Company had recognised provision of ₹921 million and ₹486 million against loan and interest receivable, respectively, from PDL in earlier years. Pursuant to the amalgamation the said provisions aggregating to ₹1,284 million (net of deferred tax of ₹123 million) have been written back in the financial statements by crediting retained earnings.

(c) In giving effect to the amalgamation the Company has reversed the difference between interest payable recorded in the financial statements of PDL and corresponding interest receivable recorded in the books of the Company amounting to ₹588 million by crediting retained earnings.

Pursuant to the amalgamation following adjustment have been recorded in the financial statements for the year ended March 31, 2022:

(a) An additional stamp duty liability amounting to ₹100 million has been recorded in respect of land to be transferred in the name of Company with the corresponding credit to liability.

Management has re estimated the provision for current tax for the financial year ended March 31, 2022, and consequently the deferred tax asset recognised in respect of brought forward losses of PDL amounting to ₹768 million has been fully utilised resulting in a current tax credit. (Refer note 29).

Note 50: Investment in Nao Spirits

During the year, the company completed the acquisition in Nao Spirits & Beverages Private Limited ("Nao Spirits") by investing ₹315 million by subscribing to 8,094 Compulsory Convertible Preference Shares and 4,670 equity shares of Nao Spirits, resulting in the Company holding 22.5% ownership interest on a fully diluted basis.

In accordance with the Shareholder's agreement, the Company has a right to purchase all or any of the shares held by promoters, existing investors and other shareholders upon occurrence of earlier of the Nao Spirits achieving the specified sales volume threshold or March 31, 2025. The exercise price of the call option shall be determined in accordance with a formula specified in the Shareholder's Agreement. As at March 31, 2023, fair value of the said call option has been determined to be immaterial.

The Company sought a Board Approval on January 24, 2023 to infuse additional amount of ₹150 million in Nao Spirits consequent to which the company's holding in Nao Spirits will increase from 22.5% to 30% on a fully diluted basis. No additional investment has been made by the Company in Nao Spirits till the year ended March 31, 2023 pending satisfaction of certain pre agreed conditions to be fulfilled by Nao Spirits.

Note 51: Additional regulatory information required by Schedule III

i. Details of benami property held

The Company does not hold any benami property. No proceedings have been initiated on the Company or are pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

ii. Borrowing secured against current assets

The Company has no borrowings from banks and financial institutions on the basis of security of current assets.

iii. Wilful defaulter

The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

iv. Relationship with struck off companies

The Company has no transactions with the companies struck off under the Companies Act, 2013 or the Companies Act, 1956.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

v. Registration of charges or satisfaction with Registrar of Companies

There are no charges or satisfaction which are yet to be registered with the Registrar of Companies beyond the statutory period.

vi. Compliance with number of layers of companies

The Company has ensured compliance with Section 2(87) of the Companies Act, 2013, read with the Companies (Restriction on Number of Layers) Rules, 2017 ('Layering Rules'), and therefore, the restriction on the number of layers of subsidiaries is not applicable to the Company.

vii. Utilisation of borrowed funds and share premium

The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (intermediaries).

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

The Company has not received any fund from any person(s) or entity(ies), including foreign entities (funding party) with the understanding (whether recorded in writing or otherwise) that the Company shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

viii. Undisclosed income

There is no income surrendered or disclosed as income during the current or prior year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of accounts of the Company.

ix. Compliance with approved scheme(s) of arrangements

The Board of Directors ("Board") of PDL and of the Company at their respective meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the amalgamation of PDL with the Company under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. The scheme was approved by the National Company Law Tribunal (NCLT) on November 4, 2022. (Refer note 49).

x. Loans or advances to specified persons

The Company has not granted any loans or advances to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013), either severally or jointly with any other person, expect for the parties mentioned under Note 46(b) that are:

(a) Repayable on demand

(b) without specifying any terms or period of repayment

xi. Details of crypto currency or virtual currency

The Company has not traded or invested in crypto currency or virtual currency during the current or prior year.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

xii. Valuation of property, plant and equipment, intangible asset and investment property

The Company has not revalued its property, plant and equipment or intangible assets or both during the current or previous year.

xiii. Utilisation of borrowings taken from banks and financial institutions for specific purpose

The Company has not availed any borrowings from any banks or financial institutions during the year.

xiv. Analytical Ratios

Ratios	Numerator	Denominator	Year ended March 2023	Year ended March 2022	% Variance
Current ratio	Current Assets	Current Liabilities	1.8	1.4	24.8%
*Debt-equity ratio	Net Debt	Shareholder's Equity	0.02	0.12	*-85.5%
*Debt service coverage ratio	Earnings available for debt service	Debt Service	2.9	1.8	*60.0%
Return on equity ratio	Profit after tax	Average Shareholder's Equity	19.4%	21.4%	-9.5%
Inventory turnover ratio	Cost of goods sold	Average Inventory	10.6	12.8	-17.6%
Trade receivables turnover ratio	Gross Sales	Average Receivables	11.8	13.8	-14.6%
Trade payables turnover ratio	Net Purchases (COGS)	Average Payables	5.1	5.0	2.3%
Net capital turnover ratio	Gross Sales	Working Capital (Inventories, Trade Receivables and Trade Payables)	9.6	10.5	-8.4%
Net profit ratio	Net Profit	Net Sales	10.1%	9.0%	12.3%
Return on capital employed	Earnings before interest and taxes	Capital Employed	19.9%	22.8%	-12.7%
Return on investment	Earnings before interest and taxes	Average total assets	13.4%	14.9%	-10.3%

Reason for variance of more than +/- 25%:

*During the year, the company has repaid working capital loans and bank overdraft which were taken over on amalgamation of PDL with the Company.

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Executive Director and Chief Financial Officer
DIN: 02110401
Place: Bengaluru

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Independent Auditor's Report

To the Members of United Spirits Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of United Spirits Limited (hereinafter referred to as the "Holding Company") and its subsidiaries and trust controlled by it (together referred to as "the Group"), and its associate company (refer Note 1 to the attached consolidated financial statements), which comprise the Consolidated Balance Sheet as at March 31, 2023, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate company as at March 31, 2023, consolidated total comprehensive income (comprising of profit and other comprehensive loss), consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group and its associate company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraphs 17 and 18 of the "Other Matters" section of our report below, other than the unaudited financial information as certified by the management and referred to in paragraph 19 of the Other Matters section of our report below, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

4. We draw attention to the following matters:

    a) Note 42 (a) to the consolidated financial statements regarding the uncertainties post completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional matters, the then MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Holding Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's erstwhile non-executive Chairman and other potentially improper transactions. Post the completion of Additional Inquiry certain regulatory notices and communications were received from Securities Exchange Board of India, Directorate of Enforcement and Authorised Dealer banks ('AD') to which the Company has responded. Subsequently, the Holding Company had commenced the rationalisation process for divestment/ liquidation/ merger of certain overseas subsidiaries including step down subsidiaries and completion of the above Rationalisation process is subject to regulatory approvals in India and overseas. The Holding company filed suits for recovery of certain amounts against relevant parties and individuals identified in the Additional Inquiry including excess managerial remuneration paid to the former Executive Director and CFO which have been fully provided for or recognised as expense in prior years. The management is currently unable to estimate the financial impact on the Holding Company, if any, arising out of potential non compliances with applicable laws as above.

    b) Note 42 (e) to the consolidated financial statements, which describes the uncertainty relating to the final outcome of litigations with a bank ("the bank") that continues to retain the pledge of certain assets of the Holding Company and of the Holding Company's shares held by USL Benefit Trust (of which the Company is the sole beneficiary) despite the Holding Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of ₹459 million demanded by the bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). Based on management assessment supported by external legal opinions, the Holding Company has disclosed the aforesaid amount of ₹459 million under Other Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. In a separate proceeding before the Debt Recovery Appellate Tribunal, the bank's appeal against the judgement awarded by Debt Recovery Tribunal in favour of the Holding Company in respect of attachment of the aforesaid pledged shares for recovery of the loans advanced by the bank to Kingfisher Airlines Limited is pending disposal.

Our opinion is not modified in respect of the matters described under paragraph 4 above.

Independent Auditor's Report (Continued)

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of the appropriateness of provisions recognised and contingent liabilities disclosed in respect of certain tax matters. (Refer Notes 8, 18 and 45 to the consolidated financial statements) As at March 31, 2023, the Holding Company has significant tax exposures and is subject to periodic assessments/ demands by tax authorities on transfer pricing, income tax and a range of indirect tax matters. Consequent to such tax assessments and demands relating to past several years, the Company has paid certain amounts under protest at various dates. The Holding Company has also filed appeals with various appellate authorities against such demands. Management judgement is involved in assessing the likelihood of ultimate outcome of the tax disputes to decide on the accounting/ disclosure requirements. For certain complex matters the probable amount of the cash outflows determined by the management is supported by opinions obtained from external tax counsels/ assessment performed by internal experts (management tax experts). We considered this a key audit matter as: • The amounts involved are significant to the consolidated financial statements; • Change in the management's judgements and estimates may significantly affect the provisions recognised or contingent liabilities disclosed; and • Matters of disputes are complex in some cases due to the nature of the industry in which the Holding Company operates and are subject to interpretations under tax laws.	Our audit procedures included the following: • Understood, assessed and tested the design and operating effectiveness of the Holding Company's controls for identifying potential tax exposures and/ or the accounting and disclosures thereof. • Evaluated the related accounting policy for recognising provisions for tax exposures and disclosure of contingent liabilities with the requirements of the relevant accounting standards. • Obtained management's assessment in respect of tax demands on whether cash outflow is either probable, possible or remote. • Evaluated management's assessment with the help of auditors' experts, where necessary, as follows: - For the samples selected, read the correspondences received during the year from the tax authorities/ orders from the appellate authorities. - Read and assessed the views provided by the management/ management tax experts as applicable. - Assessed management's position on significant tax exposures in accordance with the tax laws and past precedents of tax judgements. - Assessed completeness of litigations by inquiring with the management, and perusal of Board minutes. - Evaluated the objectivity, independence, competence and capabilities of the management tax experts. - Evaluated the adequacy of the disclosures made in the consolidated financial statements. Based on the above procedures, we considered the management's assessment in recognising the provisions and disclosing contingent liabilities in respect of the stated tax matters, as reasonable.

Independent Auditor's Report (Continued)

Other Information

6. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

7. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

   We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

9. The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance (including consolidated other comprehensive income), consolidated cash flows, and consolidated changes in equity of the Group and its associate company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and its associate company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

10. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for assessing the ability of the Group and of its associate company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

11. The respective Board of Directors of the companies included in the Group and of its associate company and the trustees of the Trust are responsible for overseeing the financial reporting process of the Group and of its associate company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

13. As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

    a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (Continued)

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associate company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate company to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its associate company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

14. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

17. We did not audit the financial statements of one trust controlled by the Holding Company and incorporated in India, included in the consolidated financial statements, whose financial statements reflect total assets of ₹41 million and net assets of ₹41 million as at March 31, 2023, total revenue of Nil, total comprehensive loss (comprising of loss and other comprehensive income) of ₹0* and net cash flows amounting to Nil for the year ended March 31, 2023, have been prepared in accordance with the accounting principles applicable to the trust and have been audited by other auditors under generally accepted auditing standards applicable in india. The Holding Company's management has converted the financial statements of the trust from the accounting principles followed by the trust to the accounting principles applicable to the Holding Company. We have audited these conversion adjustments as necessary made by the Holding Company's management. Our opinion on the consolidated financial statements insofar as it relates to the balances and affairs of the trust, including other information, is based on the report of the other auditor and the conversion adjustments prepared by

Independent Auditor's Report (Continued)

the Management of the Holding Company as necessary and audited by us.

(*) '0' indicates that the amounts involved are below ₹ five lakhs.

18. We did not audit the financial statements of 8 subsidiaries located outside India, included in the consolidated financial statements, whose financial statements constitute total assets of ₹220 million and net assets of ₹200 million as at March 31, 2023, total revenue of Nil, total comprehensive loss (comprising of loss and other comprehensive income) of ₹13 million and net cash inflows amounting to ₹7 million for the year ended March 31, 2023, have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments as necessary made by the Holding Company's management. Our opinion on the consolidated financial statements insofar as it relates to the balances and affairs of such subsidiaries located outside India, including other information, is based on the reports of other auditors and the conversion adjustments prepared by the Management of the Holding Company as necessary and audited by us.

19. The consolidated financial statements include: (i) financial information relating to two subsidiaries which have been liquidated during the year and which reflect total assets of Nil and net assets of Nil as at the date of liquidation, total revenue of Nil, total comprehensive loss (comprising loss and other comprehensive income) of Nil and net cash outflows of ₹15 million for the period then ended; ii) financial information relating to one wholly owned subsidiary which has been sold during the year and which reflects total assets of Nil and net assets of Nil as at date of transfer, total revenue of Nil, total comprehensive loss (comprising loss and other comprehensive income) of ₹63 million and net cash outflows of 1 million for the period then ended; and iii) Group's share of total comprehensive loss of ₹14 million (comprising loss and other comprehensive income) for the period ended March 31, 2023 in respect of an associate company. The said financial information relating to subsidiary companies and the associate company have not been audited by us. The financial information relating to three subsidiary companies and the associate company are unaudited and have been furnished to us by the Management of the Holding Company, and our opinion on the Consolidated Financial Results, insofar as it relates to the amounts and disclosures included in respect of the aforesaid subsidiary companies and the associate company, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Holding Company's Management, such financial information are not material to the Group.

20. Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters specified in paragraphs 17 and 18 with respect to our reliance on the work done and the reports of the other auditors and as specified in paragraph 19 with respect to the financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

21. As required by the Companies (Auditor's Report) Order, 2020 ("CARO 2020"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure B, a statement on the matter specified in paragraph 3(xxi) of CARO 2020.

22. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

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

    (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

    (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.

Independent Auditor's Report (Continued)

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

(e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2023 and taken on record by the Board of Directors of the Holding Company and the report of a statutory auditor of a subsidiary company, incorporated in India, none of the directors of the Group companies incorporated in India are disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act.

(f) With respect to the adequacy of internal financial controls with reference to consolidated financial statements of the Group and the operating effectiveness of such controls, refer to our separate report in "Annexure A". Reporting under Section 143(3)(i) of the Act in respect of the adequacy of internal controls with reference to financial statements is not applicable to the controlled trust as it is not a company.

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

i. The Group has disclosed the impact, if any, of pending litigations as at March 31, 2023 on the consolidated financial statements. (Refer Notes 8, 18, 42(d), 42(e) and 45 to the consolidated financial statements).

ii. The Group was not required to recognise a provision as at March 31, 2023 under the applicable law or accounting standards, as it does not have any material foreseeable losses on long-term contracts. The Company did not have any derivative contracts as at March 31, 2023 (refer Note 41 to the consolidated financial statements).

iii. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary company, incorporated in India during the year ended March 31, 2023. (Also refer Note 17 to the consolidated financial statements).

iv. (a) The respective Managements of the Holding Company and its subsidiary company, which is a Company incorporated in India whose financial statements have been audited under the Act, have represented to us that to the best of their knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company or by the subsidiary company to or in any other person or entity, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Holding Company or such subsidiary company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(b) The respective Managements of the Holding Company and its subsidiary company, which is a company incorporated in India whose financial statements have been audited under the Act, have represented to us that no funds (which are material either individually or in the aggregate) have been received by the Holding Company or subsidiary company from any person or entity, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or subsidiary company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

(c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe

Independent Auditor's Report (Continued)

that the representations under sub-clauses (i) and (ii) of Rule 11(e) contain any material misstatement.

v. The Holding Company and its subsidiary companies in India have not declared any dividend during the year.

vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 (as amended), which provides for books of account to have the feature of audit trail, edit log and related matters in the accounting software used by the Group and its associate company is applicable to the Group and its associate company only with effect from financial year beginning April 1, 2023, the reporting under clause (g) of Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), is currently not applicable.

23. The Group has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

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

Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 23057687BGVGAL4738

Place: Mumbai
Date: May 18, 2023

Annexure A to Independent Auditor's Report

Report on the Internal Financial Controls with reference to Consolidated Financial Statements under clause (i) of sub-section 3 of Section 143 of the Act

1. In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2023, we have audited the internal financial controls with reference to consolidated financial statements of United Spirits Limited (hereinafter referred to as "the Holding Company") and its subsidiary company which is a company incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its subsidiary company, to whom reporting under clause 143(3)(i) of the Act in respect of the adequacy of the internal financial controls with reference to financial statements is applicable, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements of the Holding Company and its subsidiary company, which is a company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note issued by the ICAI and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls with reference to financial statements

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

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility

Annexure A to Independent Auditor's Report (Continued)

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

Opinion

8. In our opinion, the Holding Company and its subsidiary company, which is a company incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

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

Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 23057687BGVGAL4738

Place: Mumbai
Date: May 18, 2023

Annexure B to Independent Auditor's Report

As required by paragraph 3(xxi) of the CARO 2020, we report that the auditors of the following companies have given qualification or adverse remarks in their CARO report on the standalone financial statements of the respective companies included in the consolidated financial statements of the Holding Company:

Sl. No.	Name of the Company	CIN	Relationship with the Holding Company	Date of the respective auditors' report	Paragraph number in the respective CARO reports
1.	United Spirits Limited	L01551KA1999PLC024991	Holding Company of the Group	May 18, 2023	(i)(c), (iii)(c) and (iii)(e)
2.	Royal Challengers Sports Private Limited	U92400KA2008PTC045565	Subsidiary	May 12, 2023	(ix)(d)

The statutory audit report on the financial statements for the year ended March 31, 2023 of Nao Spirits & Beverages Private Limited, an associate of the Holding Company, has not been issued until the date of this report. Accordingly, no comments for the said associate have been included for the purpose of reporting under this clause.

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

Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 23057687BGVGAL4738

Place: Mumbai
Date: May 18, 2023

Consolidated Balance Sheet

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2023	As at March 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	9,783	12,152
Right-of-use assets	3.2	1,726	2,606
Capital work-in-progress	3.3	668	877
Goodwill	3.4	13	210
Intangible assets	3.4	3,567	3,580
Intangible assets under development	3.5	160	80
Investment property	3.6	253	-
Financial assets			
Investments accounted for using the equity method	4.1	101	-
Investments	4.2	200	-
Loans	5	-	-
Other financial assets	6	1,462	1,485
Deferred tax assets (net)	7	1,573	1,478
Current tax assets (net) (Non-current)	8	13,356	12,614
Other non-current assets	9	2,407	2,397
Total non-current assets		**35,269**	**37,479**
Current assets			
Inventories	10	22,300	21,567
Financial assets			
Investments	4.3	2,558	2,221
Trade receivables	11	24,340	23,736
Cash and cash equivalents	12	1,151	545
Bank balances other than cash and cash equivalents	13	7,682	58
Loans	5	163	113
Other financial assets	6	1,360	772
Other current assets	9	2,792	2,622
Total current assets		**62,346**	**51,634**
Total assets		**97,615**	**89,113**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,455	1,453
Other equity			
Reserves and surplus	15	58,540	48,084
Equity attributable to the owners of United Spirits Limited		**59,995**	**49,537**
Non-controlling interests	15	-	(789)
Total equity		**59,995**	**48,748**

Consolidated Balance Sheet (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2023	As at March 31, 2022
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	16	3	9
Lease liabilities	3.2	800	1,341
Deferred tax liabilities (net)	7	451	483
Provisions	18	123	149
Total non-current liabilities		**1,377**	**1,982**
Current liabilities			
Financial liabilities			
Borrowings	16	8	3,408
Lease liabilities	3.2	1,022	1,296
Trade payables			
(A) total outstanding dues of micro and small enterprises	19	503	793
(B) total outstanding dues of creditors other than micro and small enterprises	19	17,322	15,028
Other financial liabilities	17	2,846	1,823
Provisions	18	3,731	4,880
Current tax liabilities (net)	8	2,829	2,765
Other current liabilities	20	7,982	8,390
Total current liabilities		**36,243**	**38,383**
Total liabilities		**37,620**	**40,365**
Total equity and liabilities		**97,615**	**89,113**

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

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Exceutive Director and Chief Financial Officer
DIN: 02110401
Place: Bangalore

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Consolidated statement of profit and loss

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
INCOME			
Revenue from operations	21	278,154	310,618
Other income	22	731	355
Total income		**278,885**	**310,973**
EXPENSES			
Cost of materials consumed	23	53,370	47,969
Purchase of stock-in-trade		8,642	5,773
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	(1,371)	(827)
Excise duty		172,038	213,494
Employee benefits expense	25	6,100	6,531
Depreciation, amortisation and impairment expense	26	2,825	3,038
Others:			
Advertisement and sales promotion		9,218	6,949
Loss allowance on trade receivables and other financial assets (net)	32	(120)	(129)
Other expenses	27	16,108	14,777
Finance costs	28	1,039	880
Total expenses		**267,849**	**298,455**
Profit before exceptional items, share of net profit of investments in associates accounted for using equity method and tax		**11,036**	**12,518**
Share of net profit/(loss) in associate accounted for using equity method		(14)	-
Profit before exceptional items and tax		**11,022**	**12,518**
Add/ (Less): Exceptional items (net)	29	**1,764**	**(1,652)**
Profit before tax		**12,786**	**10,866**
Tax expense:	30		
Current tax		2,814	2,593
Current tax relating to earlier years		(1,159)	(247)
Deferred tax (credit) / charge		(127)	414
Total tax expense		**1,528**	**2,760**
Profit for the year		**11,258**	**8,106**

Consolidated statement of profit and loss (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
Other comprehensive income			
A. Items that will be reclassified to profit or loss			
(i) Exchange difference on translation of foreign operations		(17)	1
B. Items that will not be reclassified to profit or loss			
(i) Remeasurements of post-employment benefit plans	40(b)E	(6)	164
(ii) Income tax credit / (charge) relating to these items		1	(41)
Other comprehensive income for the year, net of tax		**(22)**	**124**
Total comprehensive income for the year		**11,236**	**8,230**
Profit is attributable to:			
Owners of United Spirits Limited		11,363	8,286
Non-controlling interests		(105)	(180)
		11,258	**8,106**
Other comprehensive income is attributable to:			
Owners of United Spirits Limited		(22)	124
Non-controlling interests		-	-
		(22)	**124**
Total comprehensive income is attributable to:			
Owners of United Spirits Limited		11,341	8,410
Non-controlling interests		(105)	(180)
		11,236	**8,230**
Basic and diluted earnings per share (in ₹)	31	16.01	11.68

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

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

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DIN: 01782934
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Pradeep Jain
Exceutive Director and Chief Financial Officer
DIN: 02110401
Place: Bangalore

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Consolidated Statement of Changes in Equity

A. Equity Share Capital

(All amounts in ₹ Millions unless otherwise stated)

Particulars	Note	Amount
Equity share capital As at April 1, 2021	**14**	**1,453**
Changes in equity share capital		-
Equity share capital As at March 31, 2022	14	**1,453**
Share Issued during the year	14 and 48	2
Equity share capital As at March 31, 2023	**14**	**1,455**

B. Other equity

Particulars	Note	Reserves and surplus											Non-Controlling interest	Total
		Capital reserve	Capital redemption reserve	Securities premium account	Treasury shares	Central subsidy	Share based incentive reserve	Foreign currency translation reserve	Contingency reserve	General reserve	Retained earnings	Total		
Balance as at April 1, 2021		**5,675**	**699**	**45,682**	**(1,197)**	**48**	**69**	**205**	**110**	**10,408**	**(21,954)**	**39,745**	**(609)**	**39,136**
Profit/(Loss) for the year		-	-	-	-	-	-	-	-	-	8,286	8,286	(180)	8,106
Other comprehensive income (OCI), net of tax		-	-	-	-	-	-	-	-	-	124	124	-	124
Total comprehensive income		-	-	-	-	-	-	-	-	-	8,410	8,410	(180)	8,230
Share based incentives	35	-	-	-	-	-	53	-	-	-	-	53	-	53
Cross charge by a Diageo group company during the year towards share based payments	38(b)(ix)	-	-	-	-	-	(124)	-	-	-	-	(124)	-	(124)
Balance as at March 31, 2022	**15**	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**(2)**	**205**	**110**	**10,408**	**(13,544)**	**48,084**	**(789)**	**47,295**
Profit for the year		-	-	-	-	-	-		-	-	11,363	11,363	(105)	11,258
Other comprehensive income (OCI), net of tax		-	-	-	-	-	-	(17)	-	-	(5)	(22)	-	(22)
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**(17)**	**-**	**-**	**11,358**	**11,341**	**(105)**	**11,236**
Share based incentives	35	-	-	-	-	-	71	-	-	-	-	71	-	71
Cross charge by a Diageo group company during the year towards share based payments	38(b)(ix)	-	-	-	-	-	(62)	-	-	-	-	(62)	-	(62)
Acquisition of shares held by Non Controlling Shareholders pursuant to amalgamantion		-	-								(894)	(894)	894	-
Balance as at March 31, 2023		**5,675**	**699**	**45,682**	**(1,197)**	**48**	**7**	**188**	**110**	**10,408**	**(3,080)**	**58,540**	**0**	**58,540**

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

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Exceutive Director and Chief Financial Officer
DIN: 02110401
Place: Bangalore

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Consolidated Statement of Cash Flows

(All amounts in ₹ Millions unless otherwise stated)

		Notes	For the year ended March 31, 2023		For the year ended March 31, 2022	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before tax			**12,786**		**10,866**
	Adjustments for					
	Depreciation, amortisation and impairment expense	26	2,825		3,038	
	Employee share-based payment expense	25	233		255	
	Loss allowance on trade receivables and other financial assets (net)		(120)		(129)	
	Provision for doubtful other assets (net)	27	173		158	
	Profit on sale of investment property		-		(6)	
	Profit on sale on investments	22	(166)			
	Increase in Fair Value of investments	22	(25)			
	Exchange gain (net) on translation of assets and liabilities		7		1	
	Finance costs	28	1,039		880	
	Liabilities, provisions or allowances no longer required written back	22	(4)		(134)	
	Gain on disposal of property, plant and equipment (net)	22	(203)		(123)	
	Interest income	22	(320)		(61)	
	Share of net (profit)/loss in associate accounted for using equity method	4.1	14		-	
	Exceptional items, net	29	(1,764)		1,652	
				1,689		**5,531**
	Operating profit before working capital changes			**14,475**		**16,397**
	(Increase) / decrease in trade receivables		(2,762)		(2,051)	
	(Increase) / decrease in other financials assets		(960)		1,849	
	(Increase) / decrease in other assets		(1,233)		(455)	
	(Increase) / decrease in inventories		(2,619)		(1,048)	
	Increase / (decrease) in trade payables		2,027		1,227	
	Increase / (decrease) in other financial liabilities		182		(101)	
	Increase / (decrease) in other liabilities		1,111		(647)	
	Increase / (decrease) in provisions		(1,399)	**(5,653)**	(827)	**(2,053)**
	Cash generated from operations			**8,822**		**14,344**
	Income taxes paid (net of refund)			(2,675)		(4,570)
	Net cash generated from operating activities (A)			**6,147**		**9,774**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of property, plant and equipment and intangible assets		(1,366)		(1,340)	
	Proceeds from sale of property, plant and equipment		265		384	
	Purchase of current Investments		(95,295)		(14,356)	
	Redemption of current Investments		87,523		12,135	
	Proceeds from sale of a business undertaking		8,180		-	

Consolidated Statement of Cash Flows (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2023		For the year ended March 31, 2022	
Proceeds from sale of a subsidiary		320		-	
Investment in an associate		(315)		-	
Proceeds on disposal of investment in associates		-		5	
Loans given to others		(80)		(100)	
Repayment of loans given to others		32		-	
Interest received		204		64	
Proceeds from sale of investment property		-		81	
Net cash inflow / (outflow) from investing activities (B)			**(532)**		**(3,127)**
C. CASH FLOW FROM FINANCING ACTIVITIES					
Net proceeds / (repayment) of working capital loans	16	(3,392)		(5,377)	
Repayment of deferred sales tax liability	16	(14)		-	
Interest paid	16	(203)		(382)	
Principal repayment of lease liabilities	16	(1,240)		(1,002)	
Interest paid on lease liabilities		(160)		(119)	
Net cash inflow / (outflow) from financing activities ('C)			**(5,009)**		**(6,880)**
Net increase / (decrease) in cash and cash equivalents [D = A+B+C]			**606**		**(233)**
Cash and cash equivalents as at the beginning of the year (E)			545		778
Net increase / (decrease) in cash and cash equivalents			606		(233)
Cash and cash equivalents as at the end of the year [D+E]	12		1,151		545
Non-cash financing and investing activity					
Acquisition of right to of assets	3.2		858		2,292

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.
As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Exceutive Director and Chief Financial Officer
DIN: 02110401
Place: Bangalore

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Notes to the Consolidated Financial Statements

Company overview

United Spirits Limited ("The Holding Company" or "USL") which is a public company domiciled and headquartered in Bengaluru, Karnataka, India, together with its subsidiaries and its controlled trust (collectively "the Group").It is incorporated under the Companies Act, 1956 and its shares are listed on the BSE Limited and National Stock Exchange of India Limited. It is engaged in the business of manufacture, purchase and sale of beverage alcohol and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, the Group holds perpetual right to the Royal Challengers Bangalore (RCB) cricket franchise of Indian Premier League (IPL) and has also recently acquired franchise rights for the Women's Premier League (WPL) in January 2023.

Consolidated Financial Statements includes the financial statements of the following subsidiaries controlled by the Holding Company:

- Pioneer Distilleries Limited ("PDL") (amalgamated with the Holding Company pursuant to order of the National Company Law Tribunal dated November 4, 2022)
- Royal Challengers Sports Private Limited
- Sovereign Distilleries Limited (Sold on January 24, 2023)
- Asian Opportunities and Investments Limited
- McDowell & Co. (Scotland) Limited
- Palmer Investment Group Limited
- Shaw Wallace Overseas Limited
- United Spirits (Great Britain) Limited
- United Spirits (UK) Limited
- USL Holdings Limited
- USL Holdings (UK) Limited
- United Spirits (Shanghai) Trading Company Limited (ceased to be a subsidiary w.e.f January 12, 2023)
- United Spirits Singapore Pte Ltd (ceased to be a subsidiary w.e.f November 04, 2022)

Trust controlled by the Holding Company

- USL Benefit Trust

The Holding Company, its Subsidiaries and the Trust controlled by the Holding Company together are referred to as the Group.

The Group also has significant influence over the following associate company:

- Nao Spirits & Beverages Private Limited (w.e.f. from April 29, 2022) (equity ownership interest of 9.3%) (Refer note 4.2)

These consolidated financial statements are approved for issue by the Group's Board of Directors on May 18, 2023.

Note 1 - Significant accounting policies

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

1.1 Basis of preparation of consolidated financial statements

(i) Compliance with Ind AS

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

(ii) Going concern

These consolidated financial statements are prepared on a going concern basis unless the Holding Company management either intends to liquidate any entities within the Group or has no realistic alternative but to do so, in which case the consolidated financial statements of such entities are prepared and consolidated on a liquidation basis (i.e. "break up" basis).

(iii) Historical cost convention

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

- defined benefits plans – plan assets is measured at fair value; and
- share-based payment obligations measured at fair value

All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III (Division II) to the Act. Based

Notes to the Consolidated Financial Statements (Continued)

on the nature of products and the time between the acquisition of asset for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as twelve months for the purpose of current / non- current classification of assets and liabilities.

(iv) New and amended standards adopted

The Ministry of Corporate Affairs had vide notification dated March 23, 2022 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amended certain accounting standards, and are effective April 1, 2022. These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(v) Amendments to Standards issued but not yet effective

The Ministry of Corporate Affairs has vide notification dated March 31, 2023 notified Companies (Indian Accounting Standards) Amendment Rules, 2023 (the 'Rules') which amends certain accounting standards, and are effective April 1, 2023:

- Ind AS 1 – Presentation of Financial Statements
- Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
- Ind AS 12 - Income Taxes

The above amendments are not likely to have any material impact on the consolidated financial statements of the Group for the current or future reporting period.

1.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group except for common control transactions.

The Group combines the consolidated financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet, respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting [see (iii) below], after initially being recognized at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit and loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also estimated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity accounted investments are tested for impairment in accordance with the policy described in note 1.4 below.

The Group does not have any investments in joint ventures.

Notes to the Consolidated Financial Statements (Continued)

(iv) Changes in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

1.3 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Transaction of Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income as 'Foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.4 Property, plant and equipment and Intangible assets

Property, plant and equipment

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation, and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

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

Depreciation methods, estimated useful lives and residual value

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

Asset category	Useful life (in years)
Buildings	
- Roads	5
- Buildings	5.6 - 60
Plant and equipment	
- Wooden casks	15
- Others	7.5 – 15
Furniture and Fittings	10
Office Equipment	

Notes to the Consolidated Financial Statements (Continued)

Asset category	Useful life (in years)
- Computers	3
- Servers	3
- Others	5
Vehicles	5

Useful lives of asset classes determined by management estimate, which are different than those prescribed under Schedule II of the Act are supported by internal technical assessment of the useful lives. Estimated useful lives based on technical evaluation considers the impact of additional depreciation for working extra shifts.

Disposals

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

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Intangible assets

Brands and Licenses

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

Computer software

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

a) it is technically feasible to complete the software so that it will be available for use,

b) there is an ability to use or sell the software,

c) it can be demonstrated that the software will generate probable future economic benefits,

d) adequate technical, financial and other resources to complete the development and to use the software are available, and

e) the expenditure attributable to the software during its development can be reliably measured.

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

Franchisee right

The Group, through one of its wholly owned subsidiary, owns perpetual right to the Bangalore Franchisee of Board of Control for Cricket in Indian Premier League (BCCI – IPL). Franchisee right acquired is carried at cost less accumulated amortisation and impairment losses, if any.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all of intangible assets measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

Research and development costs

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

Amortisation method and useful lives

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

- Licenses – over the license period
- Computer software – 5 years
- Franchisee rights – 50 years/ IPL seasons

Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the Consolidated Financial Statements (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, which in our case are the operating segments.

Impairment of assets

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

1.5 Leases

As a lessee

The Group recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments, for example arrangements that require payments based on agreed minimum production volumes),
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line

Notes to the Consolidated Financial Statements (Continued)

basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

1.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are depreciated using the straight-line method over their estimated useful lives. The useful life has been determined based on technical evaluation performed by the management's expert.

1.7 Financial Instruments

A) Financial Assets:

a) Recognition and measurement

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets except trade receivables are recognised at fair value.

Financial assets are subsequently classified and measured at amortised cost. Financial assets are not reclassified subsequent to their recognition, except if and in the period the Group changes its business model for managing financial assets.

i) Trade Receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Subsequently, these assets are held at amortised cost, using the effective interest rate (EIR) method net of any expected credit losses (ECL). The EIR is the rate that discounts estimated future cash flows through the expected life of financial instrument.

ii) Loans

On initial recognition, Loans are measured at fair value. Since the objective is to hold these financial assets to collect contractual cash flows that are solely payments of principal and interest, these assets are subsequently measured at amortised cost using the EIR method less impairment, if any.

iii) Other financial assets:

On initial recognition, Other financial assets are measured at fair value, and subsequently, measured at the amortised cost, less impairment if any. Loss arising from impairment, if any is recognised in the Consolidated Statement of Profit and Loss.

iv) Debt instruments:

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

- Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.
- Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.
- Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(v) **Investment in mutual fund :**

On initial recognition, these are measured at fair value, and subsequently, measured at the amortised cost.

b) **Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the contractual rights to receive the cash flows from the asset.

c) **Impairment of financial assets**

The Group applies ECL model for measurement and recognition of loss allowance on Trade receivables and other financial assets measured at amortised cost.

In case of trade receivables, the Group follows the provision matrix approach (as permitted by Ind AS 109) wherein an amount equal to lifetime ECL is measured and recognised as loss allowance.

The provision matrix is prepared based on historically observed default rates over the expected life of trade receivables and is adjusted for forward-looking estimates. At each reporting date, the historically observed default rates and changes in the forward-looking estimates are updated.

In case of other financial assets, the Group determines if there has been a significant increase in credit risk of the financial asset since initial recognition. If the credit risk of such assets has not increased significantly, an amount equal to 12-month ECL is measured and recognised as loss allowance. However, if credit risk has increased significantly, an amount equal to lifetime ECL is measured and recognised as loss allowance.

Subsequently, if the credit quality of the financial asset improve such that there is no longer a significant increase in credit risk since initial recognition, the Group reverts to recognising impairment loss allowance based on 12-month ECL.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive (i.e., cash shortfalls), discounted at the original effective interest rate.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date.

ECL are measured in a manner that they reflect probability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the Consolidated Statement of Profit and Loss under the head 'Loss allowance on trade receivables and other financial assets'.

d) **Income recognition**

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

Interest income is accounted for on a time-proportion basis using effective interest rate method taking into account the amounts invested and the rate of interest, except for financial assets that subsequently become credit impaired.

For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

B) Financial Liabilities:

a) **Recognition and measurement**

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value and subsequently measured at amortised cost.

Trade and other payables

In case of trade and other payables, they are initially recognised at fair value and subsequently, these liabilities are held at amortised cost, using the effective interest rate method.

Notes to the Consolidated Financial Statements (Continued)

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per credit period. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

b) Derecognition

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

C) Off-setting of financial instruments

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

1.8 Inventories

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

1.9 Cash and cash equivalents

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

1.10 Revenue recognition

Revenue comprises revenue from contracts with customers for sale of goods and income from brand franchisee royalties receivable. Revenue from sale of goods is inclusive of excise duties and is net of returns, trade allowances, rebates, value added taxes and such amounts collected on behalf of third parties.

Revenue is recognised as and when performance obligations are satisfied by transferring goods or services to the customer, as below:

a. Revenue from sale of products:

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

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

The Group has entered into arrangements with Tie-up Manufacturing Units (TMUs), where-in TMUs manufacture and sell beverage alcohol on behalf of the Group. Under such arrangements, the Group has exposure to significant risks and rewards in such arrangements i.e. it has the primary responsibility for providing goods to the customer, has pricing latitude and is also exposed to inventory and credit risks. The Group is considered to be a principal in such arrangements with TMUs. Accordingly, the transactions of the TMUs under such arrangements have been recorded as gross revenue, excise duty and expenses as if they were transactions of the Group. The Group presents inventory held by the TMUs under such arrangements as its own inventory. The net receivables from/ payable to TMUs are recognised under other financial assets/ other financial liabilities respectively.

c. Income from brand franchise arrangements

Revenue in respect of fixed income brand franchise arrangements is recognised proportionately in each period. Income from variable franchise arrangements is recognised based on the terms of the respective contracts upon sale of products by the franchisees.

d. Revenue from BCCI

Revenue from various contractual arrangements for central rights, sponsorship, royalty and licensing fee

Notes to the Consolidated Financial Statements (Continued)

The principal activity of the Group is that of a franchisee playing in the cricket leagues organised by the Board of Control for Cricket in India (BCCI). The Group has determined that it is a principal in all its revenue contracts. Revenue is measured at the amount of transaction price based on the consideration received or receivable as per the contracts with customers.

The Group's revenues can be broadly categorised into 'Central rights revenue' earned from BCCI participating in the cricket leagues, and sponsorship revenue and other commercial revenue earned from exploiting the franchisee rights:

Central Rights revenue – The Group considers BCCI as its customer in relation to Central rights revenue, which represents the revenue earned by the Group for participating in cricket leagues. Central rights revenue is by specific agreements with BCCI. The Group receives a share of the net receipts of each season earned by BCCI for participating in the cricket leagues, Central Rights revenue for each league season is recognised on an estimated basis, to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Such revenue is pro-rated for matches played during the year as against the total number of matches playable for the season. Central right revenue includes revenue from BCCI relating to share of sale of tickets earned by BCCI.

The Group earns play-off revenue from BCCI when it qualifies for additional matches (based on the league ranking) in the cricket league. Play-off revenue is recognised when such matches are played.

Commercial revenue earned from exploiting the franchisee rights:

- Sponsorship and other similar revenue is recognised over the league season, based on number of matches played and terms of contracts with the customers.
- Royalty and licensing revenue is received from customers for usage of the Group's brand name. Revenue is recognised over time based on the terms of contracts with the customers.
- Revenue from sale of tickets for home league matches and events is recognised as and when the matches are played and events are conducted.
- Fee received for transfer of players to another franchisee is recognised when the Group transfers control of rights on the player.

The Group does not have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

1.11 Operational expenses

Expenses directly related to the IPL and WPL league season are disclosed under operational expenses. Such expenses which are directly attributable to a season in progress are recognised as and when the matches are played. Other operational expenses are recognised when the Company receives the goods or services.

1.12 Franchisee fees

The Group is required to pay a 'Franchisee fee' to BCCI, towards the franchisee rights each year, which is a fixed amount in initial years, and is determined as a percentage of the revenue earned in the later years. Management has concluded that the franchisee rights are not distinct from the teams' participation in IPL and WPL, and therefore, the franchisee fee paid/ payable to BCCI is recognised as a reduction from the central rights revenue. Any franchisee fee paid in excess of central rights revenue under each contract is presented net as an expense under 'Operational expenses'.

1.13 Employee benefits

a) Short-term obligations

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

b) Post-employment obligations

The Group's defined benefit plans comprise gratuity, pension and provident fund (administered by trusts set up by the Group, where the Group's obligation is to

Notes to the Consolidated Financial Statements (Continued)

provide the agreed benefit to the qualifying employees and the actuarial risk and investment risk if any, fall in substance, on the Group).

Pension and gratuity obligations

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

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

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

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

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

Provident fund

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

Defined-contribution plans

These are plans in which the Group pays pre-defined amounts to funds administered by government authority/ Group and does not have any legal or constructive obligation to pay additional sums. These comprise contributions in respect of Employees' Provident Fund, Employees' Pension Scheme, Employees' State Insurance, Superannuation fund and National Pension Scheme. The Group's payments to the defined contribution plans are recognised as employee benefit expenses when they are due.

(c) Other long-term employee benefit obligations

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

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of Ind AS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(e) Share-based payments

Share based compensation benefits are provided to certain grades of employees in the form of United Spirits

Notes to the Consolidated Financial Statements (Continued)

Limited- Stock Appreciation Rights Plan, a cash settled scheme, and various equity settled schemes managed by Diageo group.

Stock appreciation rights

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

Diageo group share based payment arrangements

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

1.14 Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

1.15 Earnings per share (EPS)

Basic EPS is arrived by dividing profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares unless impact is anti-dilutive. The number of shares and potentially dilutive equity shares are adjusted retrospectively for all periods presented in case of share splits.

1.16 Provisions and contingencies

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

Notes to the Consolidated Financial Statements (Continued)

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

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

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

1.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in Statement of profit and loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of profit and loss as other gains/(losses).

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

1.18 Borrowing costs

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

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

1.19 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions are complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to property, plant and equipment, it is recognised as deferred income and recognised as income in statement of profit and loss over the expected useful life of the related asset. When loan or similar assistance are provided by government or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is recognized at government rate. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received.

1.20 Exceptional items

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

1.21 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Executive committee, which has been identified as the chief operating decision maker, assesses the financial performance and position of the Group and makes strategic decisions. The executive committee consists of the Managing Director & Chief Executive Officer and other senior management team members.

1.22 Equity

Own shares represent shares of the Group and those held in treasury by USL Benefit Trust. Pursuant to orders of the High Court of Karnataka and the High Court of Bombay, shares held in aforesaid trust have been treated as an investment in the standalone financial statements. In the consolidated financial statements, own shares held by the trust have been considered as treasury shares and deducted from equity.

Notes to the Consolidated Financial Statements (Continued)

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

1.23 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest million as per the requirement of Schedule III (Division II) to the Act, unless otherwise stated. The sign '0' in these consolidated financial statements indicates that the amounts involved are below ₹ five lakhs and the sign '-' indicates that amounts are nil.

2. Critical estimates and judgements

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual result. This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The areas involving critical estimates and judgements are:

- Estimation of provisions recognised and contingent liabilities disclosed in respect of tax matters – Notes 8, 18 and 45
- Impairment of loans, trade receivables and other financial assets - Notes 5, 6,11 and 32

The Group holds perpetual franchise right for the Bangalore team of IPL. The limited over version of the game which was first introduced in 1970s is continuing even now after 50 years and an even shorter version (20 overs) introduced in 2000s is more popular than the 50 overs format. Although the Management regards the useful life as indefinite, as a measure of prudence a useful life of 50 years/ IPL seasons is considered as appropriate and the rights are amortized over 50 years/ IPL seasons having regard to the following factors:

i. The game of cricket has been in existence for over 100 years and there is no indication of interest in the game and the commercial prospects waning;

ii. The shorter version of the game is increasingly popular;

iii. The commercial exploitation of the shorter version is on an increasing scale and is expected to reach the scale which other games like soccer have reached;

iv. IPL and its teams have acquired brand status and teams are not identified with countries or geographies but with brand names; and

v. The franchisees have the intent and ability to provide the necessary financial and other resources required to obtain the expected future economic benefits from this for at least 50 years.

The carrying value of the capitalized rights would be assessed for impairment at every balance sheet date.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Notes to the Consolidated Financial Statements (Continued)

3.1 Property, plant and equipment

(All amounts in ₹ Millions unless otherwise stated)

	Freehold Land	Buildings [Refer Note (a) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Total
Year ended March 31, 2022							
Gross carrying amount							
Opening	2,747	4,877	13,762	502	562	19	**22,469**
Additions	-	159	895	9	176	-	**1,239**
Disposals	(17)	(50)	(1,050)	(69)	(19)	(1)	**(1,206)**
Closing gross carrying amount	**2,730**	**4,986**	**13,607**	**442**	**719**	**18**	**22,502**
Accumulated depreciation and impairment							
Opening	-	1,225	7,161	364	457	15	**9,222**
Depreciation charge for the year	-	246	1,402	24	61	-	**1,733**
Impairment during the year [refer note (b) below]	159	175	6	-	-	-	**340**
Disposals	-	(22)	(846)	(57)	(19)	(1)	**(945)**
Closing accumulated depreciation and impairment	**159**	**1,624**	**7,723**	**331**	**499**	**14**	**10,350**
Net carrying amount as at March 31, 2022	**2,571**	**3,362**	**5,884**	**111**	**220**	**4**	**12,152**
Year ended March 31, 2023							
Gross carrying amount							
Opening	2,730	4,986	13,607	442	719	18	**22,502**
Additions	100	228	1,066	25	33	-	**1,452**
Transfer pursuant to sale of business undertaking [Refer note 43(b)]	-	(213)	(2,217)	(8)	(25)	(1)	**(2,464)**
Disposals	(51)	(50)	(349)	(3)	(4)	(3)	**(460)**
Transfer to investment property	(253)	(314)	-	-	-	-	**(567)**
Disposal of wholly owned subisdiary	(13)	(185)	(144)	(1)			**(343)**
Closing gross carrying amount	**2,513**	**4,452**	**11,963**	**455**	**723**	**14**	**20,120**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Freehold Land	Buildings [Refer Note (a) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	Total
Accumulated depreciation and impairment							
Opening	159	1,624	7,723	331	499	14	**10,350**
Depreciation charge for the year	-	202	1,031	26	75	-	**1,334**
Transfer pursuant to sale of business undertaking [Refer note 43(b)]	-	(66)	(1,489)	(5)	(11)	(1)	**(1,572)**
Impairment during the year [Refer note (b) below]	607	440	-	38	-	-	**1,085**
Disposals		(39)	(348)	(3)	(4)	(3)	**(397)**
Transfer to investment property	(29)	(289)	-	-	-	-	**(318)**
Disposal of wholly owned subisdiary	-	(69)	(75)	(1)			**(145)**
Closing accumulated depreciation and impairment	**737**	**1,803**	**6,842**	**386**	**559**	**10**	**10,337**
Net carrying amount as at March 31, 2023	**1,776**	**2,649**	**5,121**	**69**	**164**	**4**	**9,783**

Notes:

(a) Opening and closing cost of buildings includes payments below rounding off norms adopted by the Group towards fully paid shares held in a co-operative housing society for the purpose of aquiring the right of occupation.

(b) The Group has taken an exceptional charge of ₹1,085 million towards impairment of property, plant and equipment covered under Supply Agility Programme by writing down their carrying amounts to net realizable values which includes provision on certain land holdings on account of regulatory risks (impaired based on independent valuation).

During the year ended March 31, 2022, the Group had recognised a charge of ₹340 million on account of impairment of property, plant and equipment. This represented impairment loss of property, plant and equipment in respect of certain manufacturing units and includes a provision on certain land holdings in a state on account of towards potential regulatory risks. (Refer note 29(a)).

Property, plant and equipment pledged as security

Refer to note 34 for information on property, plant and equipment pledged as security by the Group.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

3.2 Right of use assets and lease liability

This note provides information for leases where the Group is a lessee. The Group has taken on lease land, offices, warehouses, plant and equipment and office equipment. Lease contracts are typically entered into for 30 years to 100 years for leasehold land and for periods of 11 months to 5 years for other categories, and may have extension options as described in Note (c) below. Some of the leasing arrangements entered into by the Group include non-cancellable lease terms.

(i) Amounts recognised in Balance Sheet

	As at March 31, 2023	As at March 31, 2022
Right-of-use assets		
Leasehold land	64	80
Buildings	203	158
Plant and equipment	1,393	2,252
Office equipment	66	116
Total	**1,726**	**2,606**
Movement in right-of-use assets during the year		
Opening right-of-use assets	2,606	1,644
Additions	858	2,292
Depreciation for the year	(1,301)	(1,099)
Termination of leases	(433)	(231)
Transfer to investment property	(4)	-
Closing right-of-use assets	**1,726**	**2,606**
Lease Liabilities		
Current	1,022	1,296
Non-current	800	1,341
Total	**1,822**	**2,637**

(ii) Amounts recognised in the Statement of Profit and Loss

		Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
(a)	**Depreciation charge of right-of-use assets**			
	Leasehold land		1	1
	Buildings		101	211
	Plant and equipment		1,152	805
	Office equipment		47	82
Total		26	**1,301**	**1,099**
(b)	Interest expenses (included in finance cost)	28	160	119
(c)	Lease related expenses included in Rent expenses			
	Short term leases		86	59
	Leases of low value assets		3	1
	Variable lease payments (not included in lease liabilities)		2,223	2,456
Total			**2,312**	**2,516**

(iii) The total cash outflow for leases for the year ended March 31, 2023 was ₹3,712 million (2022: ₹3,728 million).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Notes:

(a) Additons to the right-of-use assets for year ended March 31, 2023 aggregate to ₹858 million (2022: ₹2,292 million).

(b) Variable lease payments

The Group has lease contracts for plant and equipment that contain variable payments. Variable lease payments that depend on production volumes are recognised in the statement of profit and loss in the period in which the condition that triggers those payments occurs. Any changes in production under contracts which includes variable lease payments, would have a proportionate impact on the variable lease payments.Certain agreements contain clauses for minimum production volumes and hence portion of lease payments in these agreements are 'in-substance fixed'. "In-substance" fixed lease payments are included in the determination of the lease liabilities and consequently included in determining the value of right-of-use assets.

(c) Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management considers contractual terms and conditions, leasehold improvements undertaken, costs relating to termination of lease, incentives received from the Government (if any) and importance of the underlying asset to the Group's operations in determining the lease term for the purpose of recognising/ measuring the lease liability.

3.3 Capital work-in-progress

Movement of Capital work-in-progress set-out below:

	At at March 31, 2023	As at March 31, 2022
Opening capital work-in-progress	877	883
Additions	1,143	1,234
Assets capitalised during the year	(1,352)	(1,240)
Closing capital work-in-progress	**668**	**877**

The ageing schedule for capital work in progress is set-out below:

	At at March 31, 2023	As at March 31, 2022
Projects in progress		
Less than 1 year	395	643
1-2 years	187	202
2-3 years	83	25
More than 3 years	3	37
Less: Provision for impairment of capital work-in-progress	668	907
Less: Provision for impairment of capital work-in-progress	-	30
Total	**668**	**877**

There were no projects under suspension as at March 31, 2023 (March 31, 2022 amounting to ₹30 million).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Details of projects wherein completion is overdue or where the actual cost has exceeded the original plan are set-out below:

	At at March 31, 2023	As at March 31, 2022
Less than 1 year		
Health, Safety and Environment protection projects	58	68
Brand innovation projects	84	-
Support core growth projects	68	0
Productivity improvement projects	143	263
Others	78	185
Total	**431**	**516**
More than 3 Years		
Productivity improvement projects (Gross)	-	38
Total	**431**	**554**

There were no projects which are expected to be completed after the expiry of one year as at March 31, 2023.

3.4 Intangible assets

Particulars	Other Intangible Assets					Goodwill
	Brands	License	Computer Software	Franchise Right [Refer Note (a) below]	Total	
Year ended March 31, 2022						
Gross carrying amount						
Opening	114	38	469	3,997	4,618	1,385
Additions to internally developed intangible assets	-	-	30	-	30	-
Closing gross carrying amount	**114**	**38**	**499**	**3,997**	**4,648**	**1,385**
Accumulated amortisation and impairment						
Opening	114	21	169	558	862	1,175
Amortisation charge for the year	-	3	97	106	206	-
Closing accumulated amortisation and impairment	**114**	**24**	**266**	**664**	**1,068**	**1,175**
Net carrying amount as at March 31, 2022	**-**	**14**	**233**	**3,333**	**3,580**	**210**
Year ended March 31, 2023						
Gross carrying amount						
Opening	114	38	499	3,997	4,648	1,385
Additions to internally developed intangible assets	-	-	190	-	190	-
Transfer pursuant to sale of business undertaking (Refer note 43(b))	-	(32)	-	-	(32)	(197)
Closing gross carrying amount	**114**	**6**	**689**	**3,997**	**4,806**	**1,188**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Particulars	Other Intangible Assets					Goodwill
	Brands	License	Computer Software	Franchise Right [Refer Note (a) below]	Total	
Accumulated amortisation and impairment						
Opening	114	24	266	664	1,068	1,175
Amortisation charge for the year	-	1	109	80	190	-
Transfer pursuant to sale of business undertaking (Refer note 43(b))	-	(19)	-	-	(19)	-
Closing accumulated amortisation and impairment	**114**	**6**	**375**	**744**	**1,239**	**1,175**
Net carrying amount as at March 31, 2023	**-**	**-**	**314**	**3,253**	**3,567**	**13**

Note:

a) The Group has estimated the useful life of the franchisee right to be 50 years/ IPL seasons based on the assessment performed. The actual useful life may be different depending on various circumstances. If the useful life were shorter by 5 years, the carrying amount of franchise right would be ₹3,050 million (2022: ₹3,137 million). If the useful life were longer by 5 years, the carrying amount would be ₹3,380 million (2022: ₹3,457 million).

b) Brands have indefinite life and remaining useful life of the license is 3.5 years and of computer software ranges from 1 to 5 years. The carrying amount of franchise right will be amortized over the remaining period of 34 years/IPL seasons. (2022: 35 years/IPL seasons).

c) Management has performed an impairment assessment and determined that no impairment of goodwill is required as at March 31, 2023.

3.5 Intangible assets under development

Movement of intangible assets under development is set-out as below:

Particulars	At at March 31, 2023	As at March 31, 2022
Opening intangible assets under development	80	84
Additions	269	26
Intangible assets capitalised during the year	(189)	(30)
Closing intangible assets under development	**160**	**80**

Management has performed an impairment assessment on the intangible assets under development and determined that no impairment loss is necessary for the year.

The ageing schedule for intangible assets under development is set-out below :

	At at March 31, 2023	As at March 31, 2022
Projects in progress		
Less than 1 year	71	6
1-2 years	89	74
Total	**160**	**80**

There were no projects under suspension as at March 31, 2023 and March 31, 2022.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Details of projects wherein completion is overdue or where the actual cost has exceeded the original plan are set-out below:

	At at March 31, 2023	As at March 31, 2022
Less than 1 year		
ERP related development project	18	39
Business application related development project	128	27
Others	9	-
Total	**155**	**66**

In respect of the above, no projects are expected to be completed after the expiry of one year from the balance sheet dates.

3.6 Investment property

Movement of investment property is set-out below:

Particulars	At at March 31, 2023	As at March 31, 2022
Gross Carrying Amount		
Opening	-	75
Transfer from property,plant and equipment	567	-
Transfer from right-of-use assets	4	
Disposals	-	(75)
Closing gross carrying amount	**571**	**-**
Accumulated Depreciation		
Opening	-	-
Transfer from property,plant and equipment	318	-
Closing accumulated depreciation	318	-
Net carrying amount	**253**	**-**

Amounts recognised in consolidated statement of profit and loss for investment property

Particulars	At at March 31, 2023	As at March 31, 2022
Direct operating expenses	-	4
Total	**-**	**4**
Gain on disposal of investment property	-	6
Total	**-**	**6**

Estimation of fair value:

The Group obtains independent valuations for its investment property. The best evidence of fair value is current prices in an active market for similar properties. When such information is not available, the Group considers information from a variety of sources including :

(a) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

(b) discounted cash flow projections based on reliable estimates of future cash flows.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(c) capitalised income projection based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The fair value of investment property has been determined by a valuation expert who holds relevant professional qualification and experience. The market value of the investment property has been assessed on an open market basis with the benefit of vacant possession. In the course of valuation, a direct comparison method has been adopted by making a reference to the relevant market transaction in the building where the investment property is located. The appropriate adjustments have been made in order to account for the differences between the subject property and the comparable in terms of time, floor level, view, condition, quality and facilties etc.

Notes:

(a) There have been no direct expenses incurred by the Group during the year ended March 31, 2023.

(b) Fair value of investment property is ₹1,461 miilion.

4.1 Investments accounted for using Equity Method

An analysis of the Group's interests in associates is as follows:

	At at March 31, 2023	As at March 31, 2022
Acquired during the year	115	-
(Including goodwill of ₹106 million)		
Share of total comprehensive losses for the year	(14)	-
As at the end of the year	**101**	**-**

Management has determined that its investment in associate is not material to the Group.

An analysis of the Group's interests in associates is as follows:

	For the year ended March 31, 2023	For the year ended March 31, 2022
Profit/ (Loss) after tax	(154)	-
Other comprehensive income	(1)	-
Total comprehensive income	**(155)**	**-**

Note: Also refer note 4.2 below.

4.2 Investments - Non current

	As at March 31, 2023	As at March 31, 2022
Investment in compulsary convertible preference shares (CCPS) carried at fair value through profit and loss (fully paid-up)		
Nao Spirits & Beverages Private Limited [Refer note below]	200	-
(8094 CCPS having face value of ₹10 each)		
As at the end of the year	**200**	**-**

Notes:

On April 29, 2022, the Group invested ₹315 million in Nao Spirits & Beverages Private Limited ("Nao Spirits") by subscribing to 8,094 Compulsory Convertible Preference Shares and 4,670 equity shares of Nao Spirits, resulting in the Group holding 22.5% ownership interest on a fully diluted basis. Management has considered Nao Spirits to be an associate since the Holding Company has the right to exercise significant influence over its operating and financing decisions. (Refer to note 47 (b))

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

4.3 Investments - Current

Particulars	At at March 31, 2023	As at March 31, 2022
Quoted		
Liquid mutual funds*	2,397	2,221
Non-convertible debentures	161	-
Total current investments	**2,558**	**2,221**
Aggregate amount of quoted investments	2,558	2,221
Aggregate market value of quoted investments	2,558	2,221

*The Holding Company redeemed mutual funds amounting to ₹516 million on March 31, 2023. The redemption proceeds were received by the Holding Company subsequent to the balance sheet date. Accordingly, pending receipt of the proceeds, the amount redeemed has been presented as investment in liquid mutual funds as at the balance sheet date.

5. Loans

	As at March 31, 2023		As at March 31, 2022	
	Current	Non-current	Current	Non-current
Loan to UBHL and a related entity [Refer note 42(d)]	-	12,378	-	12,378
Loans to employees	15	-	13	-
Loan to others	148	-	100	-
	163	**12,378**	**113**	**12,378**
Less: Loss allowance				
Loan to UBHL and a related entity [Refer note 42(d)]	-	(12,378)	-	(12,378)
	-	(12,378)	-	(12,378)
Total loans	**163**	**-**	**113**	**-**

	As at March 31, 2023	As at March 31, 2022
Details of securities/ categorisation of credit risk on loans		
Loans considered good- secured	148	100
Loans considered good- unsecured	15	13
Loans which have significant increase in credit risk	-	-
Loans- credit impaired	12,378	12,378
Total	**12,541**	**12,491**
Less: Loss allowance	(12,378)	(12,378)
Total Loans	**163**	**113**

Refer note 32 for information about financial risk management.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

6. Other financial assets

	As at March 31, 2023		As at March 31, 2022	
	Current	Non-current	Current	Non-current
Balances with banks [Refer note below]	626	815	-	792
Receivable from related parties [Refer note 38(c)]	1	-	27	-
Government grant	267	716	239	861
Receivable from Tie-up manufacturing units	708	88	992	109
Security deposits	226	53	220	75
Other receivables	29	134	22	134
	1,857	**1,806**	**1,500**	**1,971**
Less: Loss allowance				
Government grant	-	(122)	-	(243)
Receivable from Tie-up manufacturing units	(389)	(88)	(599)	(109)
Security deposits	(97)	-	(107)	-
Other receivables	(11)	(134)	(22)	(134)
	(497)	(344)	(728)	(486)
Total other financial assets	**1,360**	**1,462**	**772**	**1,485**

Note

(i) Balances with banks comprise:

(a) Deposit of ₹459 million (2022: ₹459 million) with a bank in a suspense account (Refer Note 42(e)).

(b) Fixed deposits of ₹340 million (2022: ₹327 million) with a bank kept under escrow pending resolution of various taxation matters in connection with a sale of business undertaking in an earlier year.

(c) Deposits of ₹626 million with a bank kept under escrow subject to the Holding Company fulfilling certain conditions (Refer Note 43(b)).

(d) Margin money against bank guarantees ₹1 million (2022: ₹1 million).

(e) Represents Bank deposits under lien in respect of bank gurantees provided to tax authorities ₹15 million (2022: ₹5 million).

Refer note 32 for information about financial risk management.

7. Deferred tax assets (net)

	As at March 31, 2023	As at March 31, 2022
Deferred tax assets		
Allowance for doubtful receivable balances	607	796
Provisions allowed on payment basis	777	836
Carried forward tax losses and unabsorbed depreciation	293	268
Indexation benefit on land	74	74
Lease Liabilities	301	26
Others	234	71
	2,286	**2,071**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	As at March 31, 2023	As at March 31, 2022
Deferred tax liabilities		
Depreciation and amortisation	916	1,050
Right of use Assets	248	26
	1,164	1,076
	1,122	**995**
Deferred tax assets (net)	**1,573**	**1,478**
Deferred tax liabilities (net)	**451**	**483**

Movement in deferred tax assets

	Allowance for doubtful receivable balances	Provisions allowed on payment basis	Carried forward tax losses and unabsorbed depreciation (Refer note a)	Indexation benefit on land	Depreciation and amortisation	Lease Liabilities	Right-of-use assets	Others	Total
At April 1, 2021	**835**	**1,102**	**511**	**74**	**(1,154)**	**254**	(251)	**79**	**1,450**
(Charged) / Credited:									
- to profit and loss	(39)	(225)	(243)	-	104	(228)	225	(8)	(414)
- to other comprehensive income	-	(41)	-	-	-	-	-	-	(41)
At March 31, 2022	**796**	**836**	**268**	**74**	**(1,050)**	**26**	**(26)**	**71**	**995**
(Charged) / Credited:									
- to profit and loss	(189)	(60)	25	-	134	(274)	327	163	127
- to other comprehensive income	-	1	-	-	-	-	-	-	1
At March 31, 2023	**607**	**777**	**293**	**74**	**(916)**	**(248)**	**301**	**234**	**1,122**

Note :

a) Pursuant to approval of the scheme of amalgamation of PDL with the Holding Company by the NCLT on November 4, 2022, deferred tax asset on brought forward losses and other deductible temporary differences of PDL became available to the Holding Company for offset against its profits. Accordingly, deferred tax credit of ₹862 million was recognised and utilised during the year ended March 31, 2023. This resulted in reversal of current tax provision relating to the previous year of an equivalent amount, which has been recognised in the Consolidated Statement of Profit and Loss.

8. Income tax balances

	As at March 31, 2023	As at March 31, 2022
Current tax liabilities (net of advance tax)	2,829	2,765
Current tax assets (Non-current) (net of provision for current tax)	13,356	12,614
Closing balance	**10,527**	**9,849**

Note:

(a) The above balances include amounts paid under protest of ₹13,437 million (2022: ₹13,437 million) pertaining to various assessment years.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

9. Other assets

	As at March 31, 2023		As at March 31, 2022	
	Current	Non-current	Current	Non-current
Capital advances (Refer note (b) below)				
Considered good	-	56	-	155
Considered doubtful	-	-	-	2
Balances with government authorities (Refer note (a) below)				
Considered good	1,163	2,005	1,097	1,927
Considered doubtful	208	199	47	171
Advances to suppliers				
Considered good	498	-	393	-
Considered doubtful	68	777	56	777
Net surplus in gratuity plan [Refer note 40(b)C]	-	332	-	335
Pre-paid expenses	1,132	-	1,132	-
Other advances				
Considered good	-	-	-	3
	3,069	**3,369**	**2,725**	**3,370**
Less: Allowance for doubtful balances	(277)	(962)	(103)	(973)
Total other assets	**2,792**	**2,407**	**2,622**	**2,397**

Note:

(a) Balance with government authorities includes:

(i) ₹1,320 million (2022: ₹1,773 million) paid under protest in respect of disputed indirect tax matters; and

(ii) ₹18 million (2022 : ₹13 million) paid under protest in respect of a litigation relating to levy of water charges (refer note 18).

(b) Capital advances considered good includes an amount of ₹16 million (2022 : ₹17 million) being advance paid towards purchase of land pursuant to an "agreement to sell" entered by the Group with the owners of the land. This matter is currently litigated at the High Court of Bombay.

10. Inventories
(Valued at lower of cost and net realisable value)

	As at March 31, 2023	As at March 31, 2022
Raw materials [including materials in transit ₹491 million (2022: ₹475 million)]	4,472	3,406
Work-in-progress [Refer Note (a) below]	6,018	5,995
Finished goods [including goods in transit ₹265 million (2022: ₹1,104 million)]	5,500	8,233
Stock-in-trade [including goods in transit ₹335 million (2022: ₹816 million)]	3,897	1,510
Packing materials [including materials in transit ₹72 million (2022: ₹47 million)]	2,259	2,262
Stores and spares	154	161
Total inventories	**22,300**	**21,567**

Note :

a) Allowance for obsolete inventories (net) for the year amounting to ₹186 million (2022: ₹162 milllion) has been recognised as an expense during the year and is included in cost of materials consumed and change in inventories of finished goods, work-in-progress and stock-in-trade in the Statement of Profit and Loss.

b) Inventories include inventory held by tie up manufacturing units amounting to ₹1,746 million (2022: ₹2,183 million).

c) For details of Inventories pledged as security. Refer note 34.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

11. Trade Receivables

	As at March 31, 2023	As at March 31, 2022
From Contract with customers - related parties [Refer note 38(c)(ii)]	63	59
From Contract with customers	25,489	24,865
	25,552	**24,924**
Less: Loss allowance	(1,212)	(1,188)
Total trade receivables	**24,340**	**23,736**
Details of secured trade receivables/ categorisation of credit risk of trade receivables		
Trade Receivables considered good- secured	-	-
Trade Receivables considered good- unsecured	25,552	24,924
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables- credit impaired	-	-
Total	**25,552**	**24,924**
Less: Loss allowance	(1,212)	(1,188)
Total trade receivables	**24,340**	**23,736**

Note :

a) Includes unbilled receivables of ₹348 million (2022: ₹596 million)

b) Refer note 32 for information about financial risk management.

Trade Receivables ageing schedule is set-out below:

	As at March 31, 2023	As at March 31, 2022
Unsecured, Undisputed		
Unbilled dues	348	596
Not due	23,142	21,600
Less than 6 months	1,083	1,985
6 months -1 year	244	89
1-2 Years	186	185
2-3 years	62	98
More than 3 years	251	230
sub-total	**25,316**	**24,783**
Unsecured, Disputed		
Unbilled dues	-	-
Not due	-	-
Less than 6 months	11	1
6 months -1 year	18	2
1-2 Years	31	18
2-3 years	42	19
More than 3 years	134	101
sub-total	**236**	**141**
Less: Provision for expected credit loss	(1,212)	(1,188)
Total	**24,340**	**23,736**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

12 Cash and cash equivalents

	As at March 31, 2023	As at March 31, 2022
Balances with banks		
In current accounts (Refer note 43(b))	1,035	483
Cheques on hand	116	62
Total cash and cash equivalents	**1,151**	**545**

13 Bank balances other than cash and cash equivalents

	As at March 31, 2023	As at March 31, 2022
In unpaid dividend accounts	1	1
In unpaid public deposit accounts [Refer note (a) below]	0	3
Bank deposits due to mature within 12 months from the reporting date [Refer note (b) below]	7,681	54
Total bank balances other than cash and cash equivalents	**7,682**	**58**

Note :

a) Includes Nil (2022: ₹1 million) transferred to a separate non-interest bearing escrow account pertaining to unclaimed public deposits which had matured in earlier years and for which duly discharged deposit receipts were not received from deposit holders.

b) Bank deposits due to mature within 12 months includes ₹53 million (2022 : ₹54 million) of deposits held under lien.

14. Equity share capital

	As at March 31, 2023	As at March 31, 2022
Authorised		
2,827,500,000 equity shares of ₹2 each (2022: 2,740,000,000 equity shares of ₹2 each) (Refer note 48)	5,655	5,480
173,700,000 preference shares of ₹10 each (2022: 171,200,000 preference shares of ₹10 each) (Refer note 48)	1,737	1,712
	7,392	**7,192**
Issued, subscribed and paid-up		
727,350,853 equity shares of ₹2 per share (2022: 726,638,715 equity shares of ₹2 per share) fully paid up	1,455	1,453
	1,455	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2023	No. of Shares	As at March 31, 2022
Balance at the beginning of the year	726,638,715	1,453	726,638,715	1,453
Add: Equity shares issued during the year	712,138	2	-	-
Balance at the end of the year	**727,350,853**	**1,455**	**726,638,715**	**1,453**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(b) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a face value of ₹2 per share. Each holder of the equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, if any in proportion to their holdings.

(c) Shares held by USL's holding / ultimate holding company and / or their subsidiaries / associates

Out of the equity shares issued by the Holding Company, shares held by USL's holding company are as below:

	No. of Shares	As at March 31, 2023	No. of Shares	As at March 31, 2022
Diageo Relay B V (wholly owned subsidiary of Diageo Plc.) [Refer note (i) below]	406,447,245	813	406,447,245	813
	406,447,245	**813**	**406,447,245**	**813**

(d) During the current year, pursuant to amalgamation of PDL with the Holding Company, the Holding Company alloted 712,638 shares to the minority shareholders of PDL for consideration other than cash.(Refer note 48) There have been no shares issued for consideration other than cash during four immediately preceding previous years.

(e) Details of shareholders holding more than 5% shares in the Holding Company

	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Diageo Relay B V [Refer note (i) below]	406,447,245	55.88%	406,447,245	55.94%

(f) There are no shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments.

(g) There are no bonus shares issued or bought back during the period of five years immediately preceding the reporting date.

(h) Details of shares in the Company held by subsidiaries, associates or controlled trusts

	As at March 31, 2023		As at March 31, 2022	
	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit trust [Refer note (j) below]	17,295,450	2.38%	17,295,450	2.38%

(i) On December 20, 2013, the Honorable Karnataka High Court passed an order in the matter involving United Breweries (Holdings) Limited (UBHL) and its creditors and the Diageo Plc. setting aside an earlier leave order which permitted UBHL to sell 10,141,437 equity shares on ₹10 each (prior to the face value of the shares being split from ₹10 each to ₹2 each during the year ended March 31, 2019) in the Company to Diageo Relay B V, pending disposal of the winding up petitions against UBHL. On the above matter, UBHL and Diageo plc. have approached the Honorable Supreme Court by way of special leave petitions (SLPs) challenging the order of the division bench. Pending, disposal of the above SLPs, the Honorable Supreme Court has directed that status quo be maintained in respect of the above mentioned transaction of sale of shares to Diageo Relay B V. Such shares are included in arriving at Diageo Relay BV's shareholding in the Company.

(j) Investment as a sole beneficiary in USL Benefit Trust (the 'Trust') was made as per the terms of composite scheme of arrangement approved by the Honourable High Court of Karnataka and High Court of Bombay, upon amalgamating various companies with

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

United Spirits Limited. The Trust has been established for the exclusive benefit of the Company and holds 17,295,450 equity shares of ₹2 face value (2022: 17,295,450 equity shares of ₹2 face value) of the Company. As per the terms of the aforesaid scheme of arrangement, Company has carried this investment at the aggregate of book value as per the books of the concerned transferor companies. Also refer Note 34(b) for assets pledged and Note 42 (d).

(k) Disclosure of shareholding of promoters

Name of promoter	As at March 31, 2023		As at March 31, 2022		% Change during the year
	No. of Shares	% of Holding	No. of Shares	% of Holding	
Diageo Relay B V	406,447,245	55.88%	406,447,245	55.94%	0.06%
United Breweries Holdings Limited	5,568,895	0.77%	5,568,895	0.77%	-
Vijay Mallya	62,550	0.01%	62,550	0.01%	-
Vittal Investments Private Limited	156,350	0.02%	156,350	0.02%	-
Total	**412,235,040**	**56.68%**	**412,235,040**	**56.74%**	**0.06%**

15 Reserves and surplus

	As at March 31, 2023	As at March 31, 2022
Capital reserve	5,675	5,675
Capital redemption reserve	699	699
Securities premium account	45,682	45,682
Treasury shares	(1,197)	(1,197)
Central subsidy	48	48
Share based incentive reserve	7	(2)
Foreign currency translation reserve	188	205
Contingency reserve	110	110
General reserve	10,408	10,408
Retained earnings	(3,080)	(13,544)
Total reserves and surplus	**58,540**	**48,084**

Nature and purpose of reserves:

a) Capital reserve: Created pursuant to a Scheme of Amalgamation between the Company and SW Finance Co. Limited, sanctioned by the Honourable High Court of Karnataka and Honourable High Court of Bombay under the orders dated June 12, 2015 and August 28, 2015, respectively.

b) Capital redemption reserve: Capital Redemption Reserve is created for an amount equivalent to the nominal value of shares redeemed in earlier years by the Company (including the erstwhile Companies that were merged with the Company through several schemes of amalgamations / mergers).

c) Securities premium account: Securities premium account is credited when shares are issued at premium.The balance is utilised in accordance with the provisions of the Act.

d) Treasury shares: Pursuant to the terms of composite scheme of arrangement approved by the Honourable High Courts of Karnataka and Bombay, upon amalgamating various companies with United Spirits Limited, USL Benefit Trust (of which Company is the sole beneficiary) held 17,295,450 (post - split) shares in the Company (own shares). As per the term of the aforesaid scheme of

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

arrangement, the Company has carried the aggregate value of such shares as per the books of the concerned transferor companies as investment in its standlaone financial statements. For the purpose of consolidated financial statements such investment has been shown as treasury shares.

e) **Central subsidy:** The balance is taken over on amalgamation of Shaw Wallace Distilleries Limited with the Company during the year ended March 31, 2006 as per the terms of the arrangement approved by the Honorable High Courts of Karnataka and Bombay.

f) **Share based incentive reserve:** The share-based incentive reserve is used to recognise grant date fair value of Diageo Plc's share options under the group share-based payment arrangements. Recharges under this arrangement are debited to this reserve.

g) **Foreign currency translation reserve:** Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in this seperate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment in a foreign operation is disposed off.

h) **Contingency reserve:** The balance is taken over on amalgamation of McDowell Spirits Limited with the Company during the year ended March 31, 2001 as per the terms of the arrangement approved by the Honorable High Court of Karnataka.

i) **General reserve:** The general reserve is created by way of transfer of profits from retained earnings for appropriation purposes. This reserve is utilised in accordance with the provisions of the Act.

j) **Retained earnings:** Retained earnings are the profits that the Group has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

16. Borrowings

(All amounts in ₹ Millions unless otherwise stated)

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2023	As at March 31, 2022
Non-current					
Unsecured					
Sales tax Deferment [Refer note (a) below]	April 21, 2024	Repayable in five equal annual installments (2019-20 to 2024-25)	12% pa	11	25
				11	**25**
Less: Current maturities of Deferred Sales Tax Liabilitiy				8	16
Total non-current borrowings				**3**	**9**
Current					
Unsecured					
Bank Overdraft	Payable on demand	Payable on demand	6.8% p.a.	-	992
Working capital loans from banks [Refer note (b) below]	Payable on demand	Payable on demand	6.8% p.a.	-	2,400
Total				**-**	**3,392**
Add: Current maturities of Deferred Sales Tax Liabilitiy				8	16
Total current borrowings				**8**	**3,408**
Total borrowings				**11**	**3,417**

Notes:

a) Sales tax collected under deferral scheme of State Government of Maharashtra for 11 years (from 1999-00 to 2009-10) and is repayable in 5 equal annual installmets with final installment due in 2024-25.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

b) Net debt reconciliation

(i) Net debt summary:

Particulars	Note	As at March 31, 2023	As at March 31, 2022
Non-current borrowings	16	3	9
Current borrowings	16	8	3,408
Lease liabilities	3.2	1,822	2,637
Total debt		1,833	6,054
Less: Cash and cash equivalents	12.1	1,151	545
Net debt		**682**	**5,509**

(ii) Movements in net debt:

Particulars	Lease liabilities	Sales tax deferment	Working capital loans	(Less) Cash and cash equivalents	Net debt
Net debt as at March 31, 2021	**1,578**	**45**	**8,749**	**(778)**	**9,594**
Acquisition- leases (net)	2,061	-	-	-	**2,061**
Net proceeds from / (Repayment of) borrowings	-	(21)	-	-	**(21)**
Net proceeds from / (Repayment of) working capital loans	-	-	(5,358)	-	**(5,358)**
Interest expense (Refer note 27)	119	5	379	-	**503**
Interest paid	(119)	(4)	(378)	-	**(501)**
Principal lease payments	(1,002)	-		-	**(1,002)**
Cash flows		-		233	**233**
Net debt as at March 31, 2022	**2,637**	**25**	**3,392**	**(545)**	**5,509**
Acquisition- leases (net)	425	-	-	-	**425**
Net proceeds from / (Repayment of) working capital loans	-	-	(3,392)	-	**(3,392)**
Interest expense (Refer note 27)	160	-	203	-	**363**
Interest paid	(160)	-	(203)	-	**(363)**
Principal lease payments	(1,240)	-	-	-	**(1,240)**
Cash flows	-	(14)	-	(606)	**(620)**
Net debt as at March 31, 2023	**1,822**	**11**	**-**	**(1,151)**	**682**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

17. Other financial liabilities

	As at March 31, 2023	As at March 31, 2022
Current		
Unpaid / unclaimed dividends (Refer note (a) below)	1	1
Unpaid / unclaimed public deposits (Including accrued interest) (Refer notes (a) and (b) below)	-	3
Others		
Security deposits	-	1
Due to Tie-up manufacturing units	598	354
Capital creditors	199	237
Employee benefits payables	1,429	949
Others	619	278
Total other financial liabilities	**2,845**	**1,823**

Notes:

(a) As at March 31, 2023 no balances were due to be transferred to IEPF (2022:Nil).

(b) Includes unclaimed public deposit which had matured in earlier years of Nil (2022: ₹1 million) for which the duly discharged deposit receipts have not been received from the deposit holders.

18. Provisions

	As at March 31, 2023		As at March 31, 2022	
	Current	Non-current	Current	Non-current
Employee benefits				
Provident Fund Obligation	57	-	79	-
Compensated absences	374	-	447	-
Gratuity [Refer note 40(b)C]	-	-	3	18
Pension liability [Refer note 40(b) C]	1	9	1	9
Share appreciation rights [Refer note 35]	158	114	90	122
Provision for indirect tax and other legal matters [Refer note (a) below]	3,117	-	4,007	-
Other provisions	-	-	5	-
Commitment towards "Raising the Bar" programme [Refer note (b) below]	24	-	248	-
Total provisions	**3,731**	**123**	**4,880**	**149**

Notes:

(a) Movement in provisions for indirect taxes and other legal matters

Description	Opening as at April 1, 2022	Additions/ (amounts written back*)	Amounts utilised	As at March 31, 2023
Indirect taxes and other legal matters [refer (i) below]	4,007	(875)	15	3,117

* Refer to note 23

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(b) Movement in Commitment towards "Raising the Bar" programme

Description	As at April 1, 2022	Additions/ (amounts written back)	Amounts utilised	As at March 31, 2023
Commitment towards "Raising the Bar" programme	248	-	224	24

(i) Provision for Indirect taxes and other legal matters includes provisions for disputed sales tax, customs duty, state excise duty, levy of water charges and other matters.

(ii) Provision is made for probable cash outflow arising out of pending or potential indirect tax disputes / litigations. It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings. Refer note 9 for payments made under protest in respect of indirect tax and other legal matters.

(iii) Pursuant to the amalgamation of PDL with the Holding Company, the Holding Company has taken over the pending water charges dispute. The Water Resources Department (WRD) had raised demands for additional water charges from November 2018 to the year ended March 31, 2023. In respect of this matter, PDL had filed a petition before the Bombay High Court (Aurangabad Bench), challenging these demands. An interim relief was granted by the Aurangabad Bench against any coercive steps to be taken against the Holding Company. Subsequently, the Holding Company challenged these demand notices before the Primary Dispute Resolution Officer and thereafter, in appeal before Maharashtra Water Resources Regulatory Authority (MWRRA). The demands and adverse order passed by MWRRA are currently under challenge in a writ petition before Bombay High Court (at Bombay). There is an interim protection in Holding Company's favour as against enforcement of demands by WRD. Based on a legal opinion obtained and internal evaluation, Management believes that the Holding Company is carrying adequate provision in the books for the probable rates of water charges applicable to the Holding Company. Any further cash outflow on account of this matter is considered as remote.

19. Trade payables

	As at March 31, 2023	As at March 31, 2022
Dues to Micro and Small enterprises	503	793
Dues to creditors other than Micro and Small enterprises		
Dues to related parties [Refer note 38(c)]	2,737	2,940
Others	14,585	12,088
	17,322	15,028
Total trade payables	**17,825**	**15,821**

Trade Payables ageing schedule is set-out below:

	As at March 31, 2023	As at March 31, 2022
(i) Undisputed dues - Micro and small enterprieses		
Unbilled	-	1
Not due	367	592
Less than 1 year	124	178
1-2 years	2	12
2-3 years	7	3
> 3 years	3	7
sub-total	**503**	**793**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

		As at March 31, 2023	As at March 31, 2022
(ii)	**Undisputed dues - Others**		
	Unbilled	8,546	4,041
	Not due	6,273	5,794
	Less than 1 year	2,040	4,708
	1-2 Years	45	393
	2-3 years	338	24
	> 3 years	80	68
	sub-total	**17,322**	**15,028**
	Total	**17,825**	**15,821**

20. Other current liabilities

	As at March 31, 2023	As at March 31, 2022
Contract liabilities	884	422
Statutory dues	3,706	2,898
Liability for taxes on closing inventory (net of prepaid taxes)	3,392	5,069
Others	-	1
Total other current liabilities	**7,982**	**8,390**

21. Revenue from operations

	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue from contracts with customers:		
Sale of products (including excise duty)	274,487	306,257
Income from brand franchise arrangements	714	893
Income from BCCI-IPL and WPL franchises [Refer Notes below]	2,379	2,891
	277,580	**310,041**
Other operating revenue:		
Sales of scrap and by-products	447	445
Miscellaneous	127	132
	574	**577**
Total revenue from operations	**278,154**	**310,618**

Notes:

(a) An aggregate amount of ₹ Nil (2022: ₹1,448) of transaction price allocated to central rights income that are partially unsatisfied as at the year end.

(b) Management expects that the transaction price allocated to unsatisfied performance obligation under the central rights contract as of March 31, 2023 will be recognised as revenue over the next 1 season. Performance obligations under all other contracts are due to be satisfied within a period of 1 year.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(c) Revenue from operations does not include prize money and other player awards amounting to ₹94 million (2022: ₹98 million) collected from BCCI and other IPL franchises and distributed to concerned players.

(d) Central rights income includes ticketing income received from BCCI amounting to ₹24 million (2022: Nil)

(e) In the absence of communication from the customer regarding share of central rights revenue, no amount has been disclosed in relation to the performance obligations under the central rights contract that are unsatisfied or partially unsatisfied as at March 31, 2023. Aggregate amount of transaction price allocated to central rights revenue that are partially unsatisfied as at March 31, 2022 amounted to ₹1,448 million. Unsatisfied or partially satisfied performance obligations are contractually due to be satisfied within a period of 1 year from the balance sheet date.

(f) Reconciliation between contract price and revenue recognised

	For the year ended March 31, 2023	For the year ended March 31, 2022
Contract price	291,288	322,462
Less: items offset against revenue from customers as required by Ind AS 115	(13,708)	(12,421)
Revenue from contracts with customers	**277,580**	**310,041**
(g) Dissaggregation of revenue and payments made to customers:		
(I) In relation to the Holding Company		
(i) Categories of sale of products		
Prestige and above	83,572	68,050
Popular	18,371	24,580
Others	1,220	1,026
Add: Excise duty collected from customers	172,038	213,494
	275,201	**307,150**
(ii) Category of services - Income from from BCCI-IPL and WPL franchises		
Central rights income	1,499	1,987
Income from sponsorship	768	803
Play Off Fee	44	44
Income from sale of ticket	9	-
Transfer fees	20	-
Royalty & licensing fee	39	57
	2,379	**2,891**
Total	**277,580**	**310,041**
II) In relation to IPL:		
Gross revenue	2,859	3,603
Less: Franchisee fees paid/ payable to BCCI	(568)	(712)
	2,291	**2,891**
Presented under:		
Revenue from operations	2,291	2,891
	2,291	**2,891**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

		For the year ended March 31, 2023	For the year ended March 31, 2022
III)	**In relation to WPL:**		
	Gross revenue	281	-
	Less: Franchisee fees paid/ payable to BCCI	(901)	-
		(620)	**-**
	Presented under:		
	Revenue from operations	88	-
	Operational expenses	(708)	-
		(620)	**-**

Franchisee fee paid to BCCI (net of central rights income received from BCCI), amounting to ₹708 million (2022: Nil) for WPL is recognised as an expense for the year ended March 31, 2023.

22. Other income

	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest income on financial assets held at amortised cost	320	61
Exchange gain (net)	(0)	4
Gain on disposal of property, plant and equipment (net)	203	123
Profit on sale of investment	166	6
Fair value gains on current investments (net)	25	-
Liabilities no longer required written back	4	134
Bad debts / advances recovered	3	-
Miscellaneous income	10	27
Total other income	**731**	**355**

23. Cost of materials consumed

	For the year ended March 31, 2023	For the year ended March 31, 2022
Raw materials*	34,968	29,423
Packing materials	18,402	18,546
Total cost of materials consumed	**53,370**	**47,969**

*The Group had created provisions to cover for probable outflows towards duties on actual losses in the liquor manufacturing process from the financial year ended March 31, 2019. During the year, the Group has established that the process losses arose on account of natural causes and accordingly no additional excise duty is payable on such losses. As a result, the Group has reversed ₹564 million in cost of materials consumed and reversed related interest of ₹161 million under finance cost in the Consolidated Statement of Profit and Loss Account.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

24. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2023	For the year ended March 31, 2022
Opening inventory:		
Finished goods	8,233	7,255
Work-in-progress	5,995	6,289
Stock-in-trade	1,510	1,338
Total opening balance (A)	**15,738**	**14,882**
Closing inventory:		
Finished goods	5,500	8,233
Work-in-progress	6,018	5,995
Stock-in-trade	3,897	1,510
Total closing balance (B)	**15,415**	**15,738**
Increase / (decrease) in excise duty on finished goods (net) (C)	(1,694)	29
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**(1,371)**	**(827)**

25. Employee benefits expense

	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries, wages and bonus	5,252	5,580
Contribution to provident and other funds [Refer note 40(a)]	98	114
Defined benefit plans [Refer note 40(b)D]	157	231
Share based payment expense [Refer note 35]	233	255
Staff welfare expenses	360	351
Total Employee benefits expense	**6,100**	**6,531**

26. Depreciation, amortisation and impairment expense

	For the year ended March 31, 2023	For the year ended March 31, 2022
Depreciation / impairment of property, plant and equipment (Refer note 3.1)	1,334	1,733
Depreciation of right-of-use assets (Refer note 3.2)	1,301	1,099
Amortisation / impairment of intangible assets (Refer note 3.4)	190	206
Total depreciation, amortisation and impairment expense	**2,825**	**3,038**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

27. Other expenses

	For the year ended March 31, 2023	For the year ended March 31, 2022
Consumption of stores and spares	161	148
Operational expenses relating to BCCI-IPL and WPL franchises [Refer note b below]	2,311	1,687
Sub-contracting Charges	908	1,091
Power and fuel	167	182
Rent [Refer Note 3.2]	2,312	2,516
Repairs and maintenance:		
Buildings	45	31
Plant and machinery	354	461
Others	312	294
Insurance	169	181
Rates and taxes	1,381	458
Travel and conveyance	505	271
Legal and professional	1,391	1,236
Auditor remuneration (Refer note a below)	64	57
Freight outwards	2,836	2,764
Royalty [Refer note 38(b)(vii)]	129	55
Trade mark license fees	0	432
Exchange loss (net)	1	-
Remuneration to non-executive directors of the Company:		
Sitting fee	5	8
Commission	24	24
Allowance for doubtful other assets (net)	173	158
Expense towards corporate social responsibility	224	87
Information technology and communication expenses	830	884
Administrative expenses	0	3
Sales distribution charges	1,537	1,270
Miscellaneous expenses	269	479
Total Other expenses	**16,108**	**14,777**
Note:		
(a) Auditors' remuneration*		
i) as auditors		
for Statutory audit	22	25
for Quarterly reviews	10	10
for Certifications	3	3
ii) for other audit related services	29	19
Total payment to auditors	**64**	**57**

* Excluding goods and services tax

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	For the year ended March 31, 2023	For the year ended March 31, 2022
(b) Operational expenses relating to BCCI-IPL and WPL franchises includes:		
Franchisee fee (net of revenue)	708	-
Players and support staff fees	1,058	1,181
Per diem allowances to players and support staff	30	43
Stadium rent	3	3
Insurance	20	27
Travel expenses	50	77
Hotel expenses	96	96
Event management costs	220	124
Commission on sponsorship income	125	135
Man of the match award (net)	1	1
Total operational expenses relating to BCCI-IPL and WPL franchises includes	**2,311**	**1,687**

28. Finance costs

	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest charges on lease liabilities	160	119
Interest expense on borrowings at amortised cost	203	381
Interest- others*	676	380
Total finance costs	**1,039**	**880**

*Refer to note 23

29. Exceptional items (net)

		Note	For the year ended March 31, 2023	For the year ended March 31, 2022
(a)	Provision for impairment of property, plant and equipment		-	(340)
(b)	Claim from customer		-	(353)
(c)	COVID public health infrastructure commitment		-	(100)
(d)	Gain on disposal of Investment in associate		-	5
(e)	Pre-paid brand fee charged to expense		-	(864)
(f)	Profit on sale of Business Undertaking	43(b)	3,796	-
(g)	Supply Restructuring Cost	43(c)	(1,574)	-
(h)	Voluntary Separation Scheme	43(d)	(384)	-
(i)	Gain/(loss) on sale of a subsidiary	43(a)	(74)	-
	Total exceptional items (net)		**1,764**	**(1,652)**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

30. Reconciliation of tax expense and accounting profit multiplied by domestic tax rate in the country concerned

		For the year ended March 31, 2023	For the year ended March 31, 2022
Profits before income tax expense		12,786	10,866
Tax calculated at the statutory rate applicable to the Holding Company		3,218	2,090
Tax effects of amounts which are not deductible / (taxable) in calculating taxable income:			
-	Current tax benefit on account of brought forward losses relating to PDL	(768)	-
-	Additional Provision/(reversal) of taxes relating to earlier years	(206)	(247)
-	Gain on sale of business undertaking	13	-
-	Supply Restructuring Cost	(955)	814
-	Impairment on investment in subsidiaries and associate and allowance for doubtful loans to subsidiaries (net of reversals)	153	(19)
-	Reversal of provisions/ write offs (net) which were not claimed as allowable expenses in earlier years	33	(19)
-	Others	42	141
Income tax expense as per statement of profit and loss		**1,528**	**2,760**
(a)	**Tax losses**		
	Unused tax losses for which no deferred tax asset has been recognised (Refer note below)	5,830	10,414
	Potential tax benefit at rates applicable in the country concerned	1,356	2,547

Note:

The unused tax losses comprise of capital losses of the Holding Company amounting to ₹382 million and ₹4,890 miliion which will expire in financial years ending March 31, 2027 and March 31, 2031, respectively.

31. Earnings per share

			March 31, 2023	March 31, 2022
Nominal value of equity shares (₹)			2/-	2/-
(a)	Profits attributed to the owners of the Holding Company		11,363	8,286
(b)	Weighted average number of equity shares used as denominator		709,630,072	709,343,265
	-	Issued/paid up share capital	709,343,265	709,343,265
	-	Shares issued during the year	286,807	-
(c)	Basic and diluted earnings per share (₹)		**16.01**	**11.68**

Notes:

(a) There are no dilutive equity shares in the Holding Company.

(b) In calculating the weighted average number of outstanding equity shares during the year, Holding Company has not reduced the own shares held by USL Benefit Trust (of which Holding Company is the sole beneficiary), as the investment in the said Trust has been accounted under a scheme approved by courts. [Refer note 14(h)].

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 32: Financial risk management

The Group's activities expose it to credit risk, liquidity risk and market risk. This note explains the sources of risk which the entity is exposed to and how the Group manages the risk.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, deposits with banks, trade receivables, loans and other financial assets measured at amortised cost	Ageing analysis and review of receivables and other financial assets	Diversification of bank deposits, review of mutual fund schemes and its underlying exposure, monitoring of credit limits and assessment of recoverability of loans to other counterparties
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Investment in highly marketable and liquid investments and availability of committed credit lines
Market risk – interest rate	Short-term borrowings at floating rates, deposits with bank and Debt Mutual funds	Sensitivity analysis of interest rates	Monitoring of changes in interest rates.

The Group's financial risk management is carried out by treasury department under policies approved by the Board. Corporate treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's other functions. The Board sets written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk and investment of excess funds.

The Group does not have significant exposure to foreign currency fluctuations.

(A) Credit risk

Credit risk management

Trade receivables:

Group's Credit Policy provides guidance to keep the risk of credit sales within an acceptable level. Group Management monitors (at customer group level) and reviews credit limits, overdue trade receivables, provisioning and write-off of credit impaired receivables.

Trade receivables are unsecured and are derived from revenue earned from two main classes of customers, receivable from sales to government corporations/ government owned entities and receivables from sales and services to private third parties.

Receivables from government corporations/ government owned entities amounted to ₹12,297 million; 48% (2022: ₹14,342 million; 58%) and private customers amounted to ₹13,255 million; 52% (2022: ₹10,582 million; 42%) respectively, of total trade receivables, on the reporting date.

The Group determines allowances for expected credit losses separately for different categories of customers using age-based provision matrix.

Movement in loss allowances for trade receivables is provided below:

Particulars	March 31, 2023	March 31, 2022
Balance at the beginning of the year	1,188	1,493
Loss allowance (Net)	70	(155)
Write offs	(46)	(150)
Balance at the end of the year (Refer Note 11)	**1,212**	**1,188**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Expected credit loss ageing schedule is given below:

Particulars	Expected Loss Rate	March 31, 2023	March 31, 2022
Not due	2%	440	524
Less than 3 months	5%	44	62
3 months - 6 months	6%	8	100
6 months -1 year	28%	72	31
1-2 Years	75%	162	148
2-3 years	96%	100	27
More than 3 years	100%	386	296
Total		**1,212**	**1,188**

Loans and other financial assets:

'Other financial assets' includes balances with banks, receivable from Tie-up manufacturing units, government grant, loans and interest accrued on such loans.

The Group recognises allowances using expected credit loss method on Other financial assets. Such allowances are measured considering either 12-month expected credit loss approach or life-time credit loss approach, based on management's assessment of credit risk. Assets are written-off where there is no reasonable expectation of recovery. Where the loans or receivables are, after written-off the Group continues to engage in enforcement activity to attempt to recover the amounts due. Where recoveries are made, these are recognised in profit or loss.

Movement in loss allowances for the financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2023	March 31, 2022
Balance at the beginning of the year	13,592	13,785
Loss allowance recognised:		
Included in the Statement of Profit and Loss	(190)	26
Write offs	(183)	(219)
Balance at the end of the year (Refer Note 5 and 6)	**13,219**	**13,592**

Management has assessed credit risk for balances with banks, investments in mutual funds and other financial assets as at year ended March 31, 2023. Basis this assessment management has determined that no additional provision for expected credit loss is required, other than those already provided in these consolidated financial statements.

(B) Liquidity Risk

The Group monitors daily and monthly rolling forecasts of the liquidity position and cash and cash equivalents on the basis of expected cash flows. Generally, any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in bank deposits, debt mutual funds and other highly rated corporate debentures to optimise the cash returns on investments guided by the tenets of safety, liquidity and returns.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Financing arrangements

The Group has access to the following undrawn unsecured borrowing facilities as at end of the reporting period:

Particulars	As at March 31, 2023	As at March 31, 2022
Floating rate Cash credit/ working capital loans	14,957	27,850

The above facilities may be drawn at any time and such borrowings are repayable on demand.

Maturities of financial liabilities

The maturity profile of the Group's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below. The figures reflect the contractual undiscounted cash obligation of the Group.

March 31, 2023

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	-	-	8	3	-	-	11
Lease Liabilities	319	301	494	537	311	55	2,017
Trade payables	17,825	-	-	-	-	-	17,825
Other financial liabilities	2,846	-	-	-	-	-	2,846
Total liabilities	**20,990**	**301**	**502**	**540**	**311**	**55**	**22,699**

March 31, 2022

Particulars	Less than 3 months	3 months to 6 months	6 months to 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Borrowings	3,407	-	-	10	-	-	3,417
Lease Liabilities	377	365	690	997	581	20	3,030
Trade payables	15,821	-	-	-	-	-	15,821
Other financial liabilities	1,823	-	-	-	-	-	1,823
Total liabilities	**21,428**	**365**	**690**	**996**	**581**	**20**	**24,091**

(C) Interest rate risk

Interest rate risk arises due to uncertainties about the future market interest rate on the borrowings or investments. The Group has repaid all the borrowings by the end of the financial year, except for a liability towards sales tax deferral scheme. As the Group is debt-free, exposure to interest rate risk is negligible. Further, treasury activities, focused on managing investments in debt instruments, are centralised and administered under a set of approved policies and procedures guided by the tenets of safety, liquidity and returns. This ensures that investments are made within acceptable risk parameters after due evaluation. The Group's investments are predominantly held in fixed deposits, mutual funds and highly rated corporate debentures.

The Group invests in debt mutual fund schemes of leading fund houses Such investments are susceptible to market price risks that arise mainly from changes in interest rate which may impact the return and value of such investments. However, given the relatively short tenure of underlying portfolio of the mutual fund schemes in which the Group has invested, such price risk is not significant.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

In addition to debt mutual funds, the Group invests in term deposits. Considering material term deposits are of a short-term nature, there is no significant interest rate risk pertaining to term deposits.

The exposure of the Group's borrowings to interest rate changes at the end of reporting period are as follows:

Particulars	As at March 31, 2023	As at March 31, 2022
Floating rate borrowings	-	3,391
Fixed rate borrowings	11	25
Total borrowings	**11**	**3,416**

Sensitivity:

Profit or loss is sensitivity to fluctuation in interest rate on floating rate borrowings.

Interest Rate	As at March 31, 2023	As at March 31, 2022
Increase by 50 bps	-	(170)
Decrease by 50 bps	-	170

(D) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions and balances, primarily with respect to the USD and GBP. Foreign Exchange risk arises from future commercial transactions and monetary assets and liabilities denominated in a currency that is not the functional currency of the Parent company or its Subsidiaries. The risk is measured through a forecast of highly probable foreign currency cash flows.

Foreign currency risk management

The Group's risk management policy is to assess the Group's net exposures which is mainly represented by receivables and payables towards exports and imports respectively in foreign currencies.

The Group can hedge its net exposures with a view on forex outlook. Since the net exposure is currently not material, this has not been hedged.

Foreign currency risk exposure

The Group's exposure to foreign currency risk at the end of the reporting period expressed in ₹ millions is as follows:

	As at March 31, 2023					
	USD	GBP	EURO	SGD	AUD	Total
Financial assets						
Cash and cash equivalents	-	-	-	-	-	-
Other financial assets	14	-	1	-	-	15
Trade receivables	217	-	-	-	-	217
Exposure to foreign currency risk (assets)	**231**	**-**	**1**	**-**	**-**	**232**
Financial liabilities						
Trade payables	11	82	-	12	-	105
Other financial liabilities	8					8
Exposure to foreign currency risk (liabilities)	**19**	**82**	**-**	**12**	**-**	**113**
Net exposure (Assets/Liabilities)	**212**	**(82)**	**1**	**(12)**	**-**	**119**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	As at March 31, 2022					
	USD	GBP	EURO	SGD	AUD	Total
Financial assets						
Cash and cash equivalents	0	0	0	-	-	0
Other financial assets	1	9	9	0	-	19
Trade receivables	175	-	-	-	-	175
Exposure to foreign currency risk (assets)	**176**	**9**	**9**	**0**	**0**	**194**
Financial liabilities						
Trade payables	19	189	0	23	1	232
Exposure to foreign currency risk (liabilities)	**19**	**189**	**0**	**23**	**1**	**232**
Net exposure (Assets/Liabilities)	**157**	**(180)**	**9**	**(23)**	**(1)**	**(38)**

Notes:

a) A reasonable possible fluctuation in foreign exchange rates are not expected to have a material effect on the profit/ loss.

Note 33: Capital management

Risk management

Group's objectives when managing capital is to:

a) have a balanced financial profile from short term (1 year) to mid-term (3 years) for sustainable leverage, providing;

- Headroom for future growth / expansion
- Financial flexibility in case of adverse business cycles

b) ensure the capital structure is at competitive advantage when compared to peers and other sector players through:

- Diversification of funding sources to manage liquidity and rollover risk
- Financial flexibility in case of adverse business cycles

Net debt to equity ratio:

Particulars		As at March 31, 2023	As at March 31, 2022
Total Debt	(a)	1,833	6,054
Cash and cash equivalents	(b)	1,151	545
Net debt	(c) = (a) - (b)	682	5,509
Total equity	(d)	59,995	48,748
Net debt to equity ratio	**(c) / (d)**	**0.01**	**0.11**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 34: Assets pledged as security

(a) In respect of secured loans from banks ('lenders') obtained and repaid during earlier years, the Group has in most cases obtained no objection letters from lenders for the release of the hypothecation/ mortgage and has filed the necessary forms with Ministry of Corporate Affairs ("MCA") to reflect the release of such charge in MCA's records. In the few remaining cases, the Group is in the process of securing no objection letters from the lenders. As there are no secured loans outstanding as at March 31, 2023, no assets have been shown as hypothecated/ mortgaged as at March 31, 2023.

(b) Further the following assets have been pledged with a bank with whom the Group is involved in a litigation [Refer note 42(e)]

Particulars	Notes	As at March 31, 2023	As at March 31, 2022
First charge			
Freehold land	3.1	1,183	1,177
Buildings	3.1	149	147
Leasehold land	3.2	36	37
Plant and equipment	3.1	1	3
Investments as a sole beneficiary in USL Benefit Trust	4.1	1,197	1,197
Total assets pledged as security		**2,566**	**2,561**

(c) Inventories aggregating to ₹9 million (2022: ₹121 million) are in the custody of a third party tie-up manufacturing units (TMUs), which have been hypothecated by the said TMUs for securing credit facilities

Note 35: Share based payments

Diageo plc share based plans

Diageo plc (Ultimate parent company) runs various equity settled share based plans such as Diageo Performance Incentive (DPI), Diageo Executive Long Term Incentive Plan (DELTIP), Performance Share Plan (PSP),Senior Executive Share Option Plan (SESOP) and Diageo Exceptional Stock Award Plan (DESAP) for qualifying employees of the Group. Vesting under these plans is subject to conditions such as continuity of employment and achievement of certain other performance factors.

The charge for the year in respect of such plans included in employee benefits expense amounted to ₹71 million (March 31, 2022: net credit of ₹52 million).

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employees' reward to the Holding Company's share price performance. Under this plan, the Group grants stock appreciation rights (based on USL share price on the date of grant) to qualifying employees. Cash pay-out equivalent to the appreciation in the value of the Holding Company's share will be made at the end of three years from the date of grant (the vesting period).

The fair value of the SARs is determined using the Black-Scholes model using the following inputs as at each reporting date:

Particulars	As at March 31, 2023	As at March 31, 2022
Share price as at balance sheet date (remeasurement date (₹ per share)	756.30	888.40
Expected volatility (%)	29.70%	33.71% -36.16%
Dividend yield (%)	-	-
Risk-free interest rate (%)	7.29%	5.66%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

As at March 31, 2023 such outstanding SARs are 712,276 (March 31, 2022: 606,072). Refer below for summary of movement in provision for SAR:

Particulars	Note	Amount
Provision as at April 1, 2021		**120**
Charge for the year	25	200
Pay-out during the year		(108)
Provision as at March 31, 2022	18	**212**
Charge for the year	25	162
Pay-out during the year		(100)
Provision as at March 31, 2023	18	**272**

Provision as at the year-end classified as:

Particulars	As at March 31, 2023	As at March 31, 2022
Current	158	90
Non-current	114	122
Total	**272**	**212**

Note 36: Segment reporting

Segment Information

The Group is engaged in the business of manufacture, purchase and sale of beverage alcohol and other allied spirits, including through tie-up manufacturing units and through strategic franchising of some of its brands. In addition, the Group holds perpetual right to the Royal Challengers Bangalore (RCB) cricket franchise of Indian Premier League (IPL) and has also recently acquired franchise rights for the Women's Premier League (WPL) in January 2023. The Chief Operating Decision Maker assesses performance and allocates resources for the business of the Group as a whole and hence the management considers Group's business activities as a single operating segment.

The Group has one external customer (2022: one external customer) individually contributing thirty percent of the Group's revenues (2022: thirty eight percent).

The following table discloses information about external revenues and non-current assets based on the physical location of the customers and assets, respectively.

Geographic segment	March 31, 2023			As at March 31, 2022		
	India	Outside India	Total	India	Outside India	Total
Revenue from contracts with customers	276,253	1,327	277,580	308,398	1,643	310,041
Non-current assets	35,269	-	35,269	37,479	-	37,479

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 37: Financial Instruments:

Financial instrument by category

For the year ended March 31, 2023:

Particulars	Amortized Cost	Fair Value through Profit and Loss	Fair Value through Other comprehensive income	Total
Financial Assets:				
Investments (Refer note 4.2)	-	200	-	200
Liquid mutual fund units (Refer note 4.3)	-	2,397	-	2,397
Non-convertible debentures (Refer note 4.3)	161	-	-	161
Loans (Refer note 5)	163	-	-	163
Other financial assets (Refer note 6)	2,822	-	-	2,822
Trade Receivables (Refer note 11)	24,340	-	-	24,340
Cash and Cash equivalents (Refer note 12)	1,151	-	-	1,151
Bank balances other than cash and cash equivalents (Refer Note 13)	7,682	-	-	7,682
Total	**36,319**	**2,597**	**-**	**38,916**
Financial Liabilities:				
Borrowings (Refer note 16)	11	-	-	11
Other financial liabilities (Refer note 18)	2,846	-	-	2,846
Trade Payables (Refer note 19)	17,825	-	-	17,825
Total	**20,682**	**-**	**-**	**20,682**

For the year ended March 31, 2022:

Particulars	Amortized Cost	Fair Value through Profit and Loss	Fair Value through Other comprehensive income	Total
Financial Assets:				
Liquid mutual fund units (Refer note 4.3)	-	2,221	-	2,221
Loans (Refer note 5)	113	-	-	113
Other financial assets (Refer note 6)	2,257	-	-	2,257
Trade Receivables (Refer note 11)	23,736	-	-	23,736
Cash and Cash equivalents (Refer note 12)	545	-	-	545
Bank balances other than cash and cash equivalents (Refer Note 13)	58		-	58
Total	**26,709**	**2,221**	**-**	**28,930**
Financial Liabilities:				
Borrowings (Refer note 16)	3,417	-	-	3,417
Other financial liabilities (Refer note 18)	1,823	-	-	1,823
Trade Payables (Refer note 19)	15,821	-	-	15,821
Total	**21,061**	**-**	**-**	**21,061**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Fair value hierarchy:

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows below:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Accordingly, Investment in mutual funds is considered as Level 1 and measured at fair value through profit or loss. All other financial instruments are considered as Level 3 which are measured at amortised cost.

Trade receivables, short-term loans, bank deposits, cash and cash-equivalents, receivable from TMUs, trade payables and other financial liabilities (excluding lease liabilities) have tenure of less than 12 months. Accordingly, their carrying amounts are considered to be a fair approximation of their fair values.

Management has determined that the fair values of government grants, receivable from TMUs, security deposits and other receivables are not materially different from their carrying amounts as at March 31, 2023.

Note 38: Related party disclosures

(a) Names of related parties and description of relationship

(i) Parent entities

- Diageo plc United Kingdom (Ultimate Holding company)
- Tanqueray Gordon & Company Ltd., United Kingdom (Holding Company of Diageo Relay B V)
- Diageo Relay B V Netherlands (Holding company)

(ii) Fellow subsidiaries (with whom transactions have taken place during the year or in the previous year)

- Diageo Scotland Limited
- Diageo Brands BV
- Diageo Great Britain Limited
- Diageo Australia Limited
- Diageo North America Inc.
- Diageo Singapore Supply Pte Limited
- Guinness Nigeria Plc
- Diageo Ireland
- Diageo Business Services India Private Limited
- UDV Kenya Limited

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

- Diageo India Private Limited
- Diageo Indonesia (PT Langgeng Kreasi Jayaprima)

iii) Associate

- Nao Spirits & Beverages Private Limited, India (w.e.f. April 29,2022)

iv) Employees' Benefit Plans:

- McDowell & Company Limited Staff Gratuity Fund
- McDowell & Company Limited Officers' Gratuity Fund
- McDowell & Company Limited Employees Provident Fund
- Phipson & Company Limited Management Staff Gratuity Fund
- Phipson & Company Limited Gratuity Fund
- Carew & Company Ltd. Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust
- Shaw Wallace Employee Welfare Trust
- Pioneer Distilleries Employees' Gratuity Trust

(v) Key management personnel

- Anand Kripalu (Managing Director and Chief Executive Officer) till June 30, 2021
- Hina Nagarajan (Managing Director & Chief Executive Officer) w.e.f. July 1, 2021
- Pradeep Jain (Chief Financial officer and Executive Director) w.e.f. February 1, 2023

(vi) Non-executive/ Independent directors

- Mahendra Kumar Sharma – Chairman
- V K Viswanathan
- Dr. Indu Shahani
- D Sivanandhan
- Rajeev Gupta
- John Thomas Kennedy
- Randall Ingber (till January 31, 2023)
- Vinod Rao (till December 16, 2021)
- Mark Sandys (w.e.f. April1, 2022)
- Mamta Sundara (w.e.f. February 1, 2023)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 38(b): Summary of the transactions with related parties

	Name of the related party	Relationship	For the year ended March 31, 2023	For the year ended March 31, 2022
(i)	**Sale of products (including excise duty) to**			
	Guinness Nigeria Plc.	Fellow subsidiary	-	9
	Diageo Brands BV	Fellow subsidiary	-	12
	UDV Kenya Ltd	Fellow subsidiary	3	2
	Total- Sale of products		**3**	**23**
(ii)	**Royalty and brand franchise income**			
	Guinness Nigeria Plc.	Fellow subsidiary	5	11
	Total- Royalty and brand franchise income		**5**	**11**
(iii)	**Sale of Casks (Property, Plant and Equipment)**			
	Diageo Scotland Limited	Fellow subsidiary	-	154
	Total- Sale of Casks		**-**	**154**
(iv)	**Reimbursement of expenses from**			
	Diageo plc	Parent	40	70
	Diageo India Private Limited	Fellow subsidiary	-	1
	Diageo Great Britain Limited	Fellow subsidiary	-	33
	Diageo Brands BV	Fellow subsidiary	-	8
	Diageo Scotland Limited	Fellow subsidiary	3	13
	Diageo Business Services India Private Limited	Fellow subsidiary	6	2
	Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Fellow subsidiary	0	13
	Diageo North America Inc.	Fellow subsidiary	3	-
	Total- Reimbursement of expenses received		**52**	**140**
(v)	**Purchase of stock-in-trade from**			
	Diageo Brands BV	Fellow subsidiary	6,158	3,790
	Diageo Ireland	Fellow subsidiary	-	8
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	23	1
	Total- Purchase of stock-in-trade		**6181**	**3,799**
(vi)	**Purchase of raw materials from**			
	Diageo Brands BV	Fellow Subsidiary	3,712	2,138
	Total- Purchase of materials		**3712**	**2,138**
(vii)	**Royalty expense**			
	Diageo North America Inc.	Fellow subsidiary	102*	55
	Total- Royalty expense (Refer Note 27)		**102**	**55**
(viii)	**Professional charges**			
	Diageo Business Services India Private Limited	Fellow Subsidiary	159	157
	Total- Professional charges		**159**	**157**
(ix)	**Cross Charge – towards share based payments**			
	Diageo Great Britain Limited	Fellow subsidiary	62	124
	Total- Cross charge		**62**	**124**

* Royalty expense excludes Goods and Services Tax

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Name of the related party	Relationship	For the year ended March 31, 2023	For the year ended March 31, 2022
(x)	**Other services received**			
	Information technology expenses			
	Diageo Great Britain Limited	Fellow subsidiary	242	221
	Diageo Business Services India Private Limited	Fellow subsidiary	55	6
	Total - Other services received		**297**	**227**
(xi)	**Reimbursement of expenses paid to**			
	Diageo Great Britain Limited	Fellow subsidiary	-	7
	Diageo Scotland Limited	Fellow subsidiary	-	11
	Diageo Business Services India Private Limited	Fellow subsidiary	4	6
	Diageo North America Inc	Fellow subsidiary	-	20
	Diageo plc	Parent	0	2
	Total - reimbursement of expenses paid		**4**	**46**
(xii)	**Contribution to employee benefit plans**			
	McDowell & Company Limited Employees Provident Fund	Employee benefits plan	139	141
	United Spirits Superannuation Fund	Employee benefits plan	18	26
	Total- Contribution to employee benefit plans		**157**	**167**
(xiii)	**Investment in associate**			
	Nao Spirits & Beverages Private Limited	Associate		
	• Equity Shares carried at cost		115	-
	• Compulsory Convertible Preference shares carried at fair value through profit and loss		200	-
	Total- Investment in associate		**315**	-

Note 38(c): Summary of closing balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Name of the related party	Relationship	As at March 31, 2023	As at March 31, 2022
(i)	**Financial Assets receivable**			
	Diageo Scotland Limited	Fellow subsidiary	1	1
	Diageo India Private Limited	Fellow subsidiary	-	0
	Diageo Brands BV	Fellow subsidiary	-	8
	Diageo Business Services India Private Limited	Fellow subsidiary	0	2
	Diageo Great Britain Limited	Fellow subsidiary	-	-
	Diageo plc	Parent	-	4
	Diageo Indonesia (PT Langgeng Kresai Jayaprima)	Fellow subsidiary	0	12
	Total- Financial assets receivables (Refer Note 6)		**1**	**27**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Name of the related party	Relationship	As at March 31, 2023	As at March 31, 2022
(ii)	**Trade receivables from**			
	UDV Kenya Ltd	Fellow subsidiary	0	2
	Guinness Nigeria Plc.	Fellow subsidiary	63	57
	Total- Trade receivables (Refer Note 11)		**63**	**59**
(iii)	**Trade payables to**			
	Diageo plc	Parent	0	10
	Diageo Brands BV	Fellow subsidiary	2,451	2,665
	Diageo Great Britain Limited	Fellow subsidiary	36	135
	Diageo North America Inc.	Fellow subsidiary	85	93
	Diageo Ireland	Fellow subsidiary	6	4
	Diageo Scotland Limited	Fellow subsidiary	19	12
	Diageo Singapore Supply Pte Limited	Fellow subsidiary	1	2
	Diageo Business Services India Private Limited	Fellow subsidiary	139	19
	Total trade payables to related parties (Refer Note 19)		**2,737**	**2,940**
(iv)	**Minimum offtake commitment for purchase of bulk scotch**			
	Diageo Scotland Limited	Fellow subsidiary	4,104	4,862

Note 38(d): Key Management Personnel and compensation

Executive directors	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Hina Nagarajan	Pradeep Jain (#)	Hina Nagarajan	Anand Kripalu (##)
Remuneration (*)	102	4	66	146
Employee share-based payments (**)	17	-	3	143
Total compensation	**119**	**4**	**69**	**289**

(*) As the employee benefits obligations such as gratuity, compensated absences and bonuses are provided for the Group as a whole, the amounts pertaining to individual Key Management Personnel are not included above on an accrual basis. Such amounts are included on payment basis.

(**) Based on options exercised.

(#) For Pradeep Jain, remuneration has been included w.e.f February 1, 2023.

(##) For Anand Kripalu, 'taxable gratuity' is also included in remuneration.

Non-executive/ Independent directors	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	0.8	4.7	1.0	4.7
V K Viswanathan	0.9	3.9	1.3	3.9
Dr. Indu Shahani	0.8	4.0	1.4	4.0
D Sivanandhan	0.8	3.9	1.4	3.9
Rajeev Gupta	0.5	3.5	1.1	3.5
Total	**3.8**	**20.0**	**6.2**	**20.0**

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 38 (e): General terms and conditions for transactions with related parties

Transactions with related parties are carried out in the normal course of business and are generally on normal commercial terms.

Note 39: Offsetting of financial assets and financial liabilities

The Group gives volume based incentives and rebates to certain customers. Amounts payable by Group are offset against receivables from such customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet. Details of such offset is given in the below table.

Particulars	As at March 31, 2023	As at March 31, 2022
Trade receivables (gross)	25,954	25,366
Less: Volume based incentives and rebates payable	(402)	(442)
Trade receivables as reported (Refer Note 11)	**25,552**	**24,924**

Note 40(a): Defined contribution plans

Provident Fund:

Provident Fund covers substantially all permanent workmen. Both the eligible employees and the Holding Company make monthly contributions to the Provident Fund as per regulations to a fund administered by government authority, equal to a specified percentage of the employees' salary. The obligation of the Holding Company is limited to the extent of contributions made on a monthly basis.

Employee Pension Scheme:

Employee Pension Scheme covers all eligible employees (i.e., permanent workmen and executive staff) of the Group. A portion of the Group's contribution in respect of government administered Provident Fund and Holding Company administered Provident Fund Plan is made to the government administered Employee Pension Scheme, as per regulations. The obligation of the Holding Company is limited to the extent of contributions made on a monthly basis.

Employees' State Insurance:

Employees' State Insurance is a state plan which is applicable to those employees of the Holding Company whose salaries do not exceed a specified amount. The contributions are made based on a percentage of salary to a fund administered by government authority. The obligation of the Holding Company is limited to the extent of contributions made on a monthly basis.

Superannuation fund:

Certain executive staff of the Holding Company participate in United Spirits Superannuation fund (the 'Fund'), which is a voluntary contribution plan. The Holding Company has no further obligations to the plan beyond its monthly contributions to the Fund, the corpus of which is administered by a trust and is invested in insurance products.

National Pension Scheme:

Certain executive staff of the Holding Company participate in National Pension Scheme, which is a voluntary contribution plan. The Holding Company has no further obligations to the plan beyond its monthly contributions to a fund administered by a pension fund manager appointed by Pension Fund Regulatory and Development Authority.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

During the year, the Holding Company has recognised the following amounts in the Statement of profit and loss, which are included in contribution to provident and other funds under the employee benefits expense in Note 25:

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Provident fund*	31	35
Employee's Pension Scheme	40	45
Superannuation Fund	1	1
Employees' State Insurance	18	26
National Pension Scheme	8	7
Total (Refer Note 25)	**98**	**114**

*Excludes contributions to Provident Fund Trust which are in the nature of defined benefit plans managed by the Group.

Note 40(b): Defined benefit plans

Gratuity:

The Holding Company provides for gratuity, a defined benefit plan (the "Gratuity Plan"), to its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment or upon resignation from service, of an amount based on the respective employee's last drawn salary and years of employment with the Holding Company. Vesting occurs only upon completion of five years of service, except in case of death or permanent disability. The funds are managed by a trust administered by the Holding Company.

Pension plan:

The Holding Company operates an unfunded defined benefit pension plan for certain retired employees of an erstwhile entity which has merged into the Holding Company in earlier years. This plan provides benefits to members in the form of a guaranteed level of pension payable for life post retirement or termination of employment. The level of benefits provided depends on their salary in the final year leading up to retirement, or termination.

Provident fund plan:

Executive staff and certain permanent workmen receive benefits from the provident fund plan, which is a defined benefit plan. Both the employees and the Holding Company make monthly contributions to the provident fund plan equal to a specified percentage of the employee's salary. A portion of Holding Company's contribution is transferred to Employee Pension Scheme, which is a defined contribution plan and the remaining amount is transferred to provident fund plan.

The Provident Fund contributions are made to McDowell & Company Limited Employees Provident Fund Trust set up and managed by the Holding Company. The Trust invests in specific designated instruments as permitted by Indian laws. The Holding Company has an obligation to make good the shortfall if any, being the difference between the statutory rate prescribed by the Government and the rate of interest declared by the Trust. The Holding Company also has an obligation to fund any shortfall in the fair value of plan assets as compared with the defined benefit obligation. The actuarial risk and investment risk fall, in substance, on the Holding Company.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Gratuity, Provident Fund and Pension

A. Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):

	For the year ended March 31, 2023				For the year ended March 31, 2022			
	Gratuity	Provident fund	Gratuity	Pension	Gratuity	Provident fund	Gratuity	Pension
	(Funded)	(Funded)	(Unfunded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)	(Unfunded)
Obligation at the beginning of the year	1,209	3,475	-	10	1,288	3,446	2	12
Current service cost	112	140	-	0	118	141	(0)	-
Past service cost	15	-	-	-	-	-	-	-
(Gain)/loss on settlements	(85)	-	-	-	-	-	-	-
Interest Cost	79	251	-	0	79	273	0	1
Benefit payments from plan assets	(185)	(1,125)	-	-	(182)	(535)	-	-
Transfer in/ (out)	-	165	-	-	-	105	-	-
Employee contributions	-	189	-	-	-	194	-	-
Benefit payments by the Group	-		-	(0)	(1)	-	(0)	(2)
Transfer upon sale of business undertaking (Refer note 48(b))	(38)	-	-	-	-	-	-	-
Actuarial (gain) / loss from changes in demographic assumptions	(5)	-	-	-	(10)	-	0	-
Actuarial (gain) / loss from changes in financial assumptions	(23)	3	-	(0)	(31)	(47)	(0)	(0)
Actuarial (gain) / loss – experience adjustments	(15)	10	-	(0)	(52)	(102)	1	(1)
Obligation at the end of the year	**1,064**	**3,108**	**-**	**10**	**1,209**	**3,475**	**3**	**10**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

	For the year ended March 31, 2023		For the year ended March 31, 2022	
	Gratuity	Provident fund	Gratuity	Provident fund
	(Funded)	(Funded)	(Funded)	(Funded)
Plan assets at the beginning of the year	1526	3,396	1,638	3,079
Employee contributions	-	189	-	194
Transfer in/ (out)	-	165	-	105
Contribution by the Holding Company*	-	139	-	319
Return on plan assets	105	251	108	273
Actuarial gains/ (losses)	(185)	36	(37)	(39)
Benefits paid	(50)	(1,125)	(183)	(535)
Plan assets at the end of the year	**1,396**	**3,051**	**1,526**	**3,396**

*including contribution towards shortfall in plan assets.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

C. Reconciliation of present value of defined benefit obligation and the fair value of plan assets to the assets and liabilities recognised in the Balance sheet at the end of the year:

	As at March 31, 2023			As at March 31, 2022			
	Gratuity	Provident fund	Pension	Gratuity	Provident fund	Gratuity	Pension
	(Funded)	(Funded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)	(Unfunded)
Present value of obligation	1,064	3,108	10	1,209	3,475	3	11
Fair value of plan assets	1,396	3,051	-	1,526	3,396	-	-
Asset ceiling	-	-	-	-	-	-	-
Liability / (asset) recognised in Balance sheet (Refer Notes 9 and 18)	**(322)**	**57**	**10**	**(317)**	**79**	**3**	**11**
Current	-	57	1	-	79	3	1
Non-Current	(322)	-	9	(317)	-	-	9

D. Expenses recognised in the Statement of profit and loss:

	For the year ended March 31, 2023				For the year ended March 31, 2022				
	Gratuity	Provident fund	Pension	Total	Gratuity	Provident fund	Gratuity	Pension	Total
	(Funded)	(Funded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	(Unfunded)	
Current service cost	112	140	-	252	118	141	(1)	-	258
Past service cost	15	-	-	15	-	-	-	-	
(Gain)/loss on settlement	(85)		-	(85)	-	-	-	-	
Net interest cost	-	-	-	-	-	-	-	-	
a. Interest expense on DBO	79	251	1	331	79	273	0	1	353
b. Interest (income) on plan assets	(105)	(251)		(356)	(107)	(273)	-	-	(380)
Total net interest cost (a+b)	(27)		1	(26)	(28)	-	-	1	(27)
Defined benefit cost (Refer Note 25)	**16**	**140**	**1**	**157**	**90**	**141**	**(1)**	**1**	**231**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

E. Re-measurement effects recognised in Other comprehensive income (OCI):

Description	For the year ended March 31, 2023					For the year ended March 31, 2022				
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total
a. Actuarial (gain) / loss due to demographic assumptions changes in DBO	(6)	-	-	-	(6)	(10)	-	0	-	(10)
b. Actuarial (gain) / loss due to financial assumption changes in DBO	(24)	3	-	(0)	(21)	(29)	(47)	(0)	(0)	(76)
c. Actuarial (gain) / loss due to experience on DBO	(15)	12	-	(0)	(3)	(51)	(102)	0	(1)	(154)
d. Return on plan assets (greater) / less than discount rate	51	(15)	-	-	36	37	39	-	-	76
e. Movement in asset ceiling	-	-	-	-	-	-	-	-	-	-
Total actuarial (gain)/loss included in OCI	**6**	**-**	**-**	**(0)**	**6**	**(53)**	**(110)**	**0**	**(1)**	**(164)**

F. Total cost recognised in Comprehensive Income:

Particulars	For the year ended March 31, 2023					For the year ended March 31, 2022				
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Unfunded)	Pension (Unfunded)	Total
Expense recognised in Statement of profit and loss (Refer Note 25)	16	140	-	1	157	90	141	(1)	1	231
Remeasurements effects recognised in OCI	6	-	-	(0)	6	(54)	(110)	(0)	(0)	(164)
Total cost recognised in comprehensive income	**22**	**140**	**-**	**1**	**163**	**36**	**31**	**(1)**	**1**	**67**

G. Investment details of plan assets:

Description	As at March 31, 2023		As at March 31, 2022	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	74%	-	69%
Private sector bonds	-	7%	-	8%
Public sector / financial institutional bonds	-	3%	-	4%
Special deposit scheme	-	4%	-	3%
Insurance products	100%	-	100%	-
Others (including bank balances)	0%	12%	0%	16%
Total	**100%**	**100%**	**100%**	**100%**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

H. Assumptions:

	As at March 31, 2023			As at March 31, 2022			
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident fund (Unfunded)	Gratuity (Unfunded)	Pension (Unfunded)
Discount rate (per annum)	7.32%	7.39%	7.32%	6.91%-6.96%	7.28%	6.87%	6.91%
Rate of increase in compensation levels	10%	10%	NA	10%	10%	10%	NA
Attrition rate	5% - 12%	5% - 12%	NA	5% - 13.5%	5%-11%	5%-11%	NA
Mortality rates	IALM* (2012-14)	IALM* (2012-14)	IALM* (2012-14)	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table

*IALM: Indian Assured Lives Mortality

Note 40(c): Sensitivity analysis:

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is provided below:

Gratuity:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Discount rate	1%	1%	(50)	(76)	61	84
Compensation Growth Rate	1%	1%	57	81	(51)	(75)

Provident Fund:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Discount rate	1%	1%	(45)	(60)	105	132
Compensation Growth Rate	1%	1%	100	125	(45)	(60)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 40(d): Risk exposure:

Through its defined benefit plans, Holding Company is exposed to number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to yields of government securities; if plan assets underperform this yield, this will create a deficit. Plan asset investments for provident fund are made in government securities, private sector bonds and public sector / financial institution bonds. Plan asset investments for gratuity are made in pre-defined insurance plans. These are subject to risk of default and interest rate risk. The fund manages credit risk / interest rate risk through continuous monitoring to minimise risk to an acceptable level.
Change in bond yields	A decrease in yields of government securities will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation Risk	In the pension plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life Expectancy	The pension and other plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

The Holding Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets consists of government and public sector bonds, although the Group also invests in private sector bonds, special deposit schemes and bank balances. The plan asset mix is in compliance with the requirements of the respective local regulations.

Note 40(e): Effect of the defined benefit plan on the entity's future cash flows

The Holding Company does not expect to contribute any amounts into the gratuity plan assets during the year ending March 31, 2024, considering the net surplus portion as at March 31, 2023. The Group is expected to contribute ₹153 million (2022: ₹155 million) to Provident fund during the year ending March 31, 2024.

The weighted average duration of the defined benefit obligation is 6.46 years (2022: 8.19 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2023	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
Gratuity	210	76	427	1,055	**1,768**
Provident fund	410	446	1,590	3,744	**6,190**
Total	**620**	**522**	**2,017**	**4,799**	**7,958**

March 31, 2022	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
Gratuity	136	132	378	1,606	**2,252**
Provident fund	376	410	1,471	3,508	**5,765**
Total	**512**	**542**	**1,849**	**5,114**	**8,017**

Note:

The estimates of future increase in compensation levels, considered in the actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 41: Long term contracts, including derivative contracts

The Group does not have any derivative contracts as at March 31, 2023. The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is considered necessary based on the review of such contracts as at year end.

Note 42: Historical matters

(a) Additional Inquiry and other regulatory matters

As disclosed in each of the annual financial statements commencing from year ended March 31, 2014, upon completion in April 2015 of an inquiry into past improper transactions ('Initial Inquiry') which identified references to certain additional parties and certain additional matters, the then MD & CEO, pursuant to the direction of the Board of Directors, carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016. The Additional Inquiry prima facie identified transactions indicating actual and potential diversion of funds from the Holding Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appeared to be affiliated or associated with the Holding Company's former non-executive chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Holding Company or its subsidiaries in the respective prior periods. The Holding Company has filed recovery suits against relevant parties and individuals identified pursuant to the Additional Inquiry. Additionally, the Holding Company has also filed a suit for recovery of excess managerial remuneration amounting to ₹134 million paid to the former Executive Director and CFO (ED & CFO) for the year ended March 31, 2015. The receivable recorded in the financial statements for excess managerial remuneration has been fully provided for.

As disclosed in each of the annual financial statements commencing from the year ended March 31, 2014, in relation to the above-mentioned Initial Inquiry and Additional Inquiry and the matters arising out of the settlement agreement dated February 25, 2016 entered into by the Holding Company with Dr. Vijay Mallya pursuant to which, inter alia, the Holding Company and Dr. Vijay Mallya agreed a mutual release in relation to matters arising out of the Initial Inquiry ('Agreement'), the Holding Company received letters and notices from the Securities Exchange Board of India ('SEBI') during the year ended March 31, 2016 to which the Holding Company has responded. There has been no further communication with SEBI on these matters since the Holding Company's response in October 2017.

As disclosed in each of the annual financial statements commencing from the year ended March 31, 2014, in connection with the investigations carried out by the Directorate of Enforcement ('ED') under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, the Holding Company received letters and notices from ED during the year ended March 31, 2016, to which the Holding Company responded. During the year ended March 31, 2022, the Holding Company received a notice from the ED requesting for information, which the Holding Company has provided. The Holding Company has also received queries from its authorized dealer banks, based on queries from the Reserve Bank of India ('RBI'), with regard to remittances made in the prior years by the Holding Company to its overseas subsidiaries, past acquisitions and Annual Performance Reports ('APR') for prior years, to which the Holding Company has responded.

As disclosed in each of the annual financial statements commencing from the year ended March 31, 2019, with the objective of divesting its non-core assets, the Holding Company reviewed its subsidiaries' operations, obligations, and compliances, and recommended a plan for rationalisation through sale, liquidation or merger ("Rationalisation Process"). After receiving approval from the Board, the Holding Company is taking steps to implement this plan and has liquidated three overseas subsidiaries, merged one overseas subsidiary into another, amalgamated one Indian subsidiary with the Holding Company and sold three subsidiaries, one of which was overseas and the other two in India. The Rationalisation Process is subject to regulatory and other approvals (in India and overseas). If any historical non-compliances are established during the Rationalisation Process, the Holding Company will consult with its legal advisors, and address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the group, if any, arising out of potential non-compliances with applicable laws, if established.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(b) Preparation of financial statements of subsidiaries on liquidation basis

Consequent to the Rationalisation Process, the financial statements of the following subsidiaries included in the consolidated financial statements have been prepared on a liquidation basis (i.e. "break up" basis) i.e. (i) USL Holdings Limited, (ii) USL Holdings (UK) Limited, (iii) United Spirits (UK) Limited, (iv) United Spirits (Great Britain) Limited, (v) McDowell & Co. (Scotland) Limited, (vi) Shaw Wallace Overseas Limited (vii) Asian Opportunities and Investments Limited. Accordingly, assets and liabilities of such subsidiaries have been recognised as current at their fair values that approximate to their carrying values as at March 31, 2023. Such remeasurement did not have any material impact on the consolidated financial statements.

(c) Notices from the Ministry of Corporate Affairs

As disclosed in each of the annual financial statements commencing from year ended March 31, 2016, and pursuant to the inspection conducted by Ministry of Corporate Affairs ('MCA') during the year ended March 31, 2016, under Section 206(5) of the Companies Act, 2013, MCA issued show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Holding Company had responded. As at the year ended March 31, 2023, the Holding Company is awaiting response from the Registrar of Companies (RoC) on one compounding application and one show cause notice wherein the Holding Company had requested the RoC to discontinue further proceedings based on expert legal advice received. The penalty and compounding fees arising out of adjudication applications and compounding application are not material. The management is of the view that in line with the past compounding/ adjudication orders, the financial impact arising out of compounding / adjudication of the residual matters will not be material to the Group's financial statements.

(d) Loan to United Breweries (Holdings) Limited ('UBHL')

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, the Holding Company had pre-existing loans / deposits / advances / accrued interest that were due to the Holding Company and its subsidiaries from UBHL and its subsidiaries aggregating to ₹13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Holding Company and UBHL on July 3, 2013 ('Loan Agreement'). UBHL has defaulted on its obligations to pay any amounts under the Loan Agreement. The Holding Company has already made provision in prior financial years for the entire principal amount due, of ₹13,374 million, and for the accrued interest of ₹846 million up to March 31, 2014. The Holding Company has not recognised interest income on said loan after March 31, 2014 which cumulatively amounts to ₹11,074 million up to March 31, 2023. The Holding Company has offset ₹2,062 million payable to UBHL arising under a trademark agreement against the principal amount of loan and interest accrued thereon receivable.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Holding Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. In April 2018, the arbitral tribunal passed a final award against the Holding Company. The reasons for this adverse award were disputed by the Holding Company, and the Holding Company obtained leave from the High Court of Karnataka to challenge this arbitral award. In July 2018, the Holding Company filed a petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced. Notwithstanding the arbitral award, based on management assessment supported by an external legal opinion, the Holding Company has offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL. The Holding Company has filed its claim with the Official Liquidator The management has attended meetings and exchanged certain correspondence with the official liquidator during the year ended March 31, 2023 in relation to the claim filed and the set-off.

(e) Dispute with IDBI Bank Limited

As disclosed in each of the annual financial statements commencing from year ended March 31, 2015, during the year ended March 31, 2014, the Holding Company prepaid a term loan taken from IDBI Bank Limited (the "bank") in earlier years which was secured by certain property, plant and equipment and brands of the Holding Company as well as by a pledge of certain shares of the Holding Company held by the USL Benefit Trust (of which the Holding Company is the sole beneficiary). The bank disputed the prepayment, following which the Holding Company filed a writ petition ("WP") in November 2013 before the Hon'ble High Court of Karnataka ('High Court') challenging the actions of the bank.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

In February 2016, following the original maturity date of the loan, the Holding Company received a notice from the bank seeking to recall the loan and demanding a sum of ₹459 million on account of outstanding principal, accrued interest and other amounts as also further interest till the settlement date as per the security documents. The Holding Company challenged this notice in the pending writ proceedings during which the High Court directed that, subject to the Holding Company depositing ₹459 million with the bank in a suspense account, the bank should not deal with any of the secured assets including the shares until disposal of the writ petition. The Holding Company deposited the full amount, and the bank was restrained from dealing with any of the secured assets.

In June 2019, a single judge bench of the High Court dismissed the Holding Company's writ petition, amongst other reasons, on the basis that the matter involved an issue of breach of contract by the Holding Company and was therefore not maintainable in exercise of the court's writ jurisdiction. The Holding Company filed an appeal against this order before a division bench of the High Court, which was admitted and interim protection on the secured assets was reinstated. The writ appeal is pending.

Based on management assessment supported by external legal opinions, the Holding Company continues to believe that it has a strong case on merits and therefore continues to believe that the aforesaid amount of ₹459 million remains recoverable from the bank.

In a separate proceeding before the Debt Recovery Tribunal (DRT), Bengaluru, initiated by a consortium of banks (including the bank) for recovery of loans advanced by the consortium of banks to Kingfisher Airlines Limited (KAL), the bank filed an application for attachment of the pledged shares belonging to USL Benefit Trust. DRT dismissed the said application of the bank and the bank filed an appeal against this order before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai in September 2017. The bank's appeal is pending for final hearing by the DRAT. There have been no developments with respect to this matter during the year ended March 31, 2023.

(f) Difference in yield of certain non-potable intermediates and associated process losses

As disclosed in each of the annual financial statements commencing from year ended March 31, 2019, the Group came across information suggesting continuing past practices that may have resulted in yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process being higher than what has been reported to the relevant regulatory authorities (the 'Authorities') as per the records being maintained in certain plants (the 'Affected Plants').

With prior information to, and engagement with, the Authorities, the group also engaged independent third-party experts to undertake a physical verification of the inventory of intermediates on a sample basis in the Affected Plants and shared these reports with the Authorities. Based on the understanding and discussion with such Authorities and advice received from external legal counsels, the Group has discharged and provided the amounts of financial obligation (which were determined to be not material) in the financial statements.

Under the direction of the board of directors, the management had engaged an independent law firm to conduct a review of past practices in this area and during the quarter ended June 30, 2019, taken appropriate action, where a violation of the Group code of business conduct had occurred.

Considering the remedial actions taken by the management over the past years, including but not limited to engagement with appropriate state excise authorities, obtaining external assessments of process loss on intermediaries, disclosing such non-potable intermediates and associated process losses in filing / submissions to the excise authorities and together with recent independent legal advices obtained on this matter, the Management is of the view that potential risk is remote (Refer to note 23).

Note 43: Exceptional Items

a) Disposal of shares held in Sovereign Distilleries Limited

On January 24, 2023, the Group completed the sale of its equity shares in its wholly owned subsidiary, Sovereign Distilleries Limited (SDL) to a third party. The shares were sold for a total consideration of ₹320 million. Following the completion of the sale, the Group does not hold any shares in SDL and SDL has ceased to be a subsidiary of the Group. Net assets of ₹394 million (including Goodwill of ₹197 million) has been derecognised pursuant to the sale, resulting into a loss of ₹74 million which has been recorded under exceptional items in the Consolidated Statement of Profit & Loss for the year ended March 31, 2023.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

b) Transfer pursuant to sale of business undertaking

Further to the announcement on May 27, 2022 the Group, on September 30, 2022: (i) completed the slump sale of the entire business undertaking associated with 32 brands in the ‘Popular’ segment to Inbrew Beverages Private Limited (“Inbrew”); and (ii) given effect to the franchise of 11 other brands in the ‘Popular’ segment in favour of Inbrew for a period of five years, with an option for Inbrew, subject to certain conditions, (a) to convert the fixed term franchise arrangement into a franchise arrangement with perpetual right to use; and / or (b) to acquire such brands (collectively, the “Transaction”).

In line with the terms of the slump sale agreement, all the assets and liabilities related to the business undertaking have been transferred to Inbrew for a consideration of ₹8,180 million (after certain preclosure adjustments) and a profit on sale of the business undertaking amounting to ₹3,796 million (net-off costs attributable towards sale and accruals) is recognized as an ‘exceptional item’ in the Consolidated Statement of Profit & Loss for the year ended March 31, 2023.

As per the agreement, a portion of the consideration amounting to ₹626 million is held under an escrow arrangement which would be settled within a period of 12 months from the date of closure, upon satisfaction of certain specified conditions by the Group, failing which the amount would be forfeited. Accordingly, the Group has determined the profit on sale by considering a part of the amount held in escrow and the balance will be recognized on satisfaction of the conditions.

Pursuant to the slump sale agreement the Group opened an account with a bank and has authorised designated signatories from Inbrew to operate the account. The bank account has been opened for the sole purpose of facilitating Inbrew to receive collections from a Government customer and make payments towards liabilities of Inbrew, until certain licenses are transferred to Inbrew. The Group does not have a present right to appoint authorised signatories and has no right to the economic benefits in respect of the said bank balance. Accordingly, the Group has not recognised the transactions and the balance in the said bank account as at March 31, 2023 in these Consolidated financial statements.

c) Supply Agility Programme

The Board of Directors of the Holding Company have approved a multi-year supply chain agility programme. The programme primarily is directed towards the optimization of the existing manufacturing footprint with an intent to strengthen its end-to-end supply chain and make it fit for the future. The total implementation cost of the supply chain agility programme, majority of which are expected to be recognized as exceptional items, will be recorded when the recognition criteria are satisfied.

During the year ended, the Group has recognised a provision of ₹1,574 million under exceptional items in the Consolidated Statement of Profit & Loss for the year ended March 31, 2023, towards the impairment loss on property, plant and equipment covered under the programme by writing down their carrying amounts to net realizable values which includes provision on certain land holdings on account of potential regulatory risks (impaired based on independent valuation) and severance cost relating to a closed unit.

d) Voluntary Separation Scheme

During the quarter ended June 30, 2022, the Group announced a Voluntary Separation Scheme (VSS) covering permanent workmen at four factories. Pursuant to the Scheme, the Group has recognised an amount of ₹384 million as employee separation costs which is presented as an exceptional item in the Consolidated Statement of Profit & Loss for the year ended March 31, 2023.

Note 44: Capital and other commitments:

	Particulars	As at March 31, 2023	As at March 31, 2022
(a)	Capital commitments for property, plant and equipment	492	990
(b)	Other commitments:		
	i. relating to advertisement, sales promotion and trade-mark fee	584	675
	ii. Towards minimum offtake commitment for purchase of bulk scotch from a related party	4,104	4,862
	iii. relating to BCCI-IPL franchise	60	46

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 45: Contingent Liabilities

Particulars			As at March 31, 2023	As at March 31, 2022
(a)	Income tax matters		2,328	7,528
(b)	Indirect tax matters			
	(i)	State excise	1,146	1,086
	(ii)	Central excise	3	2
	(iii)	Service Tax	357	350
	(iv)	Sales tax and entry tax	4,166	3,845
	(v)	Goods and Services Tax	118	
(c)	Other civil litigations and claims		1,419	1,606

Notes:

(a) **Income tax** - Income tax matters primarily relate to exposures under transfer pricing and disallowance of certain expenses that the Group had claimed as deductions in its Income Tax returns.

(b) **Indirect tax** - The Group has extensive operations across various states in India. The Group has identified possible exposures relating to local sales tax, state excise duty, service tax, goods and services tax and central excise duty.

(c) **Other civil litigations and claims -** Other civil litigations relate to various claims from third parties under dispute which are lying with various courts/ appellate authorities.

(d) **Provident fund -** The Group has evaluated the impact of the Supreme Court ("SC") judgement dated February 28, 2019 in the case of Regional Provident Fund Commissioner (II) West Bengal v/s Vivekananda Vidyamandir and Others, in relation to non-inclusion of certain allowances in the definition of "basic wages" of the relevant employees for the purposes of determining contribution to Provident Fund ("PF") under the Employees' Provident Fund & Miscellaneous Provisions Act, 1952. There are interpretation issues relating to the said SC judgement. In the assessment of the management, the aforesaid matter is not likely to have a significant impact on the Group and accordingly, no provision has been made in the consolidated financial statements.

(e) **Use of Judgement**

Management categorizes the matters based on the probability of cash outflow, which require judgement. Management obtains the views of external consultants where necessary. Based on the assessment, management recognises liability / provision, or discloses the matter as a contingent liability, except for matters where the probability of outflow of cash is considered remote. Due to uncertainties involved in the process, actual outflows may be different from those originally estimated.

The Group may be involved in legal proceedings in respect of which it is not possible to make a reliable estimate of any expected settlement. In such cases, management has determined that any potential future cash outflows are not likely to be material.

(f) Management is optimistic of a favourable outcome in the above matters based on legal opinions / management assessment. It is not practicable for the Group to estimate the timing of the cash outflows, if any, in respect of the above, pending resolution of respective proceedings.

(g) Contingent liabilities above do not include demands with respect to income tax and indirect tax matters wherein the Group has assessed the probability of outflows of economic benefits to be remote.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 46: Research expenses

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries and wages	73	59
Contribution to provident fund and other funds	3	3
Staff welfare expenses	2	1
Rent	7	8
Miscellaneous expenses	65	26
Total Research expenses	**150**	**97**

Note 47: Interest in Other Entities

(a) Subsidiaries / Controlled Trusts

The subsidiaries consolidated in these financial statements are set out below. Unless otherwise stated, they have share capital consisting of equity shares that are held by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their place of business.

Name of the Entity	% of ownership interest		Country of Incorporation	Principal business activity
	As at March 31, 2023	As at March 31, 2022		
Subsidiaries :				
Pioneer Distilleries Limited (merged with United Spirits Limited w.e.f. December 2022)	-	75	India	Manufacture and sale of Spirits
Royal Challengers Sports Private Limited	100	100	India	BCCI – IPL and WPL franchises
Sovereign Distilleries Limited (upto January 24, 2023)	-	100	India	Dormant
United Spirits Singapore Pte Ltd (upto November 4, 2022)	-	100	Singapore	Dormant
McDowell & Co. (Scotland) Limited	100	100	Scotland, U.K.	Dormant
Asian Opportunities and Investments Limited	100	100	Mauritius	Dormant
Palmer Investment Group Limited	100	100	British Virgin Islands	Dormant
Shaw Wallace Overseas Limited	100	100	U.K.	Dormant
USL Holdings Limited	100	100	British Virgin Islands	Dormant
USL Holdings (UK) Limited	100	100	U.K.	Dormant
United Spirits (Shanghai) Trading Company Limited (upto January 12, 2023)	-	100	China	Dormant
United Spirits (UK) Limited	100	100	U.K.	Dormant
United Spirits (Great Britain) Limited	100	100	U.K.	Dormant
Controlled trust :				
USL Benefit Trust	100	100	India	Investment in shares of the Holding Company

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(b) Interest in an Associate

During the year, the Group completed the acquisition in Nao Spirits & Beverages Private Limited ("Nao Spirits") by investing ₹315 million by subscribing to 8,094 Compulsory Convertible Preference Shares and 4,670 equity shares of Nao Spirits, resulting in the Group holding 22.5% ownership interest on a fully diluted basis.

In accordance with the Shareholder's agreement, the Holding Company has a right to purchase all or any of the shares held by promoters, existing investors and other shareholders upon occurrence of earlier of the Nao Spirits achieving the specified sales volume threshold or March 31, 2025. The exercise price of the call option shall be determined in accordance with a formula specified in the Shareholder's Agreement. As at March 31, 2023, fair value of the said call option has been determined to be immaterial.

Board of directors of the Holding Company on January 24, 2023 have approved additional investment of ₹150 million in Nao Spirits, consequent to which the Holding Company's interest in Nao Spirits will increase from 22.5% to 30%, on a fully diluted basis. No additional investment has been made by the Holding Company in Nao Spirits till the year ended March 31, 2023 pending satisfaction of certain pre agreed conditions to be fulfilled by Nao Spirits.

c) Details on Non-controlling Interest (NCI)

Set out below is summarised financial information for a subsidiary with material non-controlling interest. The amounts disclosed are before inter-company eliminations.

Summarised Balance Sheet:

Particulars	Pioneer Distilleries Limited	
	As at March 31, 2023	As at March 31, 2022
Non-current assets	-	2,617
Current assets	-	1,130
Total assets	**-**	**3,747**
Non-current liabilities	-	(2,551)
Current liabilities	-	(4,693)
Total liabilities	**-**	**(7,244)**
Net assets	**-**	**(3,497)**
Accumulated non-controlling interest (NCI)	-	(789)

Summarised Statement of Profit and Loss:

Particulars	Pioneer Distilleries Limited	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue	1,170	2,147
Total Expenses for the year	(1,588)	(2,867)
Other comprehensive income	-	(1)
Total comprehensive income	**(419)**	**(719)**
Total comprehensive income allocated to NCI	**(105)**	**(180)**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Summarised Statement of cash flows:

Name of the Entity	Pioneer Distilleries Limited	
	For the year ended March 31, 2023	For the year ended March 31, 2022
Cash flows from operating activities	309	242
Cash flows from investing activities	(88)	(184)
Cash flows from financing activities	(221)	(58)
Net increase / (decrease) in cash and cash equivalents	-	(1)

USL Equity Shares has been issued to Non-controlling interest during the year.

Note: The summarised information in the Statement of Profit and Loss and Statement of Cash Flows disclosed above is till the date of last reported period before approval of Scheme by the NCLT. (Refer note 48).

(d) Share of profit and assets of subsidiaries / associate

Name of the entity	Net assets, i.e., total assets minus total liabilites		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
Parent Company								
United Spirits Limited	94.73%	56,832	107.14%	12,062	100%	(22)	107.16%	12,040
Overseas Subsidiaries								
United Spirits (Shanghai) Trading Company Limited	-	-	-	-	-	-	-	-
United Spirits Singapore Pte Ltd	-	-	-	-	-	-	-	-
Asian Opportunities and Investments Limited	0.02%	12	(0.03)%	(4)	-	-	(0.04)%	(4)
McDowell & Co. (Scotland) Limited	0.22%	132	(0.02)%	(2)	-	-	(0.02)%	(2)
Shaw Wallace Overseas Limited	0.03%	18	(0.01)%	(1)	-	-	(0.01)%	(1)
United Spirits (Great Britain) Limited	0.00%	3	(0.01)%	(1)	-	-	(0.01)%	(1)
United Spirits (UK) Limited	0.00%	(1)	(0.01)%	(1)	-	-	(0.01)%	(1)
USL Holdings Limited	0.05%	32	(0.01)%	(1)	-	-	(0.01)%	(1)
USL Holdings (UK) Limited	0.00%	(0)	(0.01)%	(1)	-	-	(0.01)%	(1)
Palmer Investment Group Limited	0.01%	4	(0.02)%	(2)	-	-	(0.02)%	(2)
UB Sports Management Overseas Limited	-	-	-	-	-	-	-	-
Sub-total	**95.06%**	**57,032**	**107.02%**	**12,049**	**100%**	**(22)**	**107.03%**	**12,027**

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the entity	Net assets, i.e., total assets minus total liabilites		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	% of consolidated net assets	Amount	% of consolidated profit/(loss)	Amount	% of consolidated other comprehensive income	Amount	% of consolidated total comprehensive income	Amount
Indian Subsidiaries/ controlled trust								
Pioneer Distilleries Limited	-	-	(4.39)%	(494)	-	-	(4.40)%	(494)
Royal Challengers Sports Private Limited	4.87%	2,922	(1.02)%	(115)			(1.02)%	(115)
Sovereign Distilleries Limited	-		(0.56)%	(63)	-	-	(0.56)%	(63)
USL Benefit Trust	0.07%	41	-	-	-	-	-	-
Sub-total	**4.94%**	**2,963**	**(5.97)%**	**(672)**	**-**	**-**	**(5.98)%**	**(672)**
Non-Controlling Interest in subsidiaries :	-	-			-	-		
Pioneer Distilleries Limited	-	-	(0.93)%	(105)	-	-	(0.93)%	(105)
Sub Total	-	-	**(0.93)%**	**(105)**	**-**	**-**	**(0.93)%**	**(105)**
Associates	-	-	(0.12)%	(14)	-	-	(0.12)%	(14)
Total	**100%**	**59,995**	**100%**	**11,258**	**100%**	**(22)**	**100%**	**11,236**

Note: Net assets given above exclude inter-company balances and treasury shares. Share in profit or loss, other comprehensive income and total comprehensive income exclude inter-company transactions

Note 48: Amalgamation of Pioneer Distilleries Limited ("PDL") with the Holding Company:

The Board of Directors ("Board") of PDL and of the Holding Company at their respective meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the amalgamation of PDL with the Holding Company under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. The scheme was approved by the National Company Law Tribunal (NCLT) on November 4, 2022. The Scheme provided for an appointed date of April 1, 2021. The approved NCLT orders have been filed with the Registrar of Companies (RoC) on December 30, 2022. Pursuant to filing of the orders with the RoC, PDL was wound up without liquidation.

Pursuant to the scheme, the authorised equity share capital of the Holding Company stands increased, without any further act or deed on the part of the holding company, including payment of stamp duty and Registrar of Companies fees, by ₹200 million, being the authorised equity share capital of the transferor company. Memorandum of Association and Articles of Association of the Holding Company stand amended accordingly without any further act or deed on the part of the holding company.

In accordance with the terms of the approved Scheme, the non-promoter shareholders of PDL received 10 equity shares of the Holding Company (face value of ₹2 each) for every 47 equity shares of PDL (face value of ₹10 each), held by them as on January 06, 2023 ('record date'). Allotment of 712,138 equity shares to the non-promoter shareholder of PDL was completed on January 13, 2023. As a result, issued capital of the Holding Company increased by 712,138 equity shares and the revised shareholding of Diageo Relay BV (the holding company, a subsidiary of Diageo plc) in the Holding Company has changed from 55.94% to 55.88% as on the record date.

Pursuant to the approval of the Scheme by the NCLT, brought forward losses and deductible temporary differences of PDL became available for offset against profits of the Holding Company. Accordingly, deferred tax credit of ₹862 million was recognised and utilised during the year ended March 31, 2023. This resulted in reversal of current tax provision relating to the previous year of an equivalent amount, which has been recognised in the Consolidated Statement of Profit and Loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 49: Additional disclosures

i. Details of benami property held

No proceedings have been initiated on or are pending against the group for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

ii. Borrowing secured against current assets

The Holding Company and it's Subsidiaries have no borrowings from banks and financial institutions on the basis of security of current assets.

iii. Wilful defaulter

None of the entities in the group have been declared wilful defaulter by any bank or financial institution or other lender.

iv. Relationship with struck off companies

The Holding Company and it's Subsidiaries in India have no transactions with the companies struck off under the Companies Act, 2013 or the Companies Act, 1956.

v. Compliance with number of layers of companies

The Holding Company has ensured compliance with Section 2(87) of the Companies Act, 2013, read together with the Companies (Restriction on Number of Layers) Rules, 2017 ('Layering Rules'), and therefore, the restriction on the number of layers of subsidiaries is not applicable to the group.

vi. Utilisation of borrowed funds and share premium

The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (intermediaries).

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

The Group has not received any fund from any person(s) or entity(ies), including foreign entities (funding party) with the understanding (whether recorded in writing or otherwise) that the Group shall:

(a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or

(b) provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries.

vii. Undisclosed income

There is no income surrendered or disclosed as income during the current or prior year in the tax assessments under the Income Tax Act, 1961, that have not been recorded in the books of accounts.

viii. Compliance with approved scheme(s) of arrangements

The Board of Directors ("Board") of PDL and of the Holding Company at their respective meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") in relation to the amalgamation of PDL with the Holding Company under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules thereunder. The scheme was approved by the National Company Law Tribunal (NCLT) on November 4, 2022. (Refer note 48)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

ix. Loans or advances to specified persons

The Group has not granted any loans or advances to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013), either severally or jointly with any other person, that are:

(a) Repayable on demand

(b) Without specifying any terms or period of repayment

x. Valuation of property, plant and equipment, intangible asset and investment property

The Group has not revalued its property, plant and equipment or intangible assets or both during the current or prior year.

xi. Details of crypto currency or virtual currency

The Group has not traded or invested in crypto currency or virtual currency during the current or prior year.

xii. Utilisation of borrowings availed from banks and financial institutions

The Group has not availed any borrowings from any banks or financial institutions during the year.

As per our report of even date

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

Dibyendu Majumder
Partner
Membership number: 057687

Place: Mumbai
Date: May 18, 2023

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

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

Hina Nagarajan
Managing Director and Chief Executive Officer
DIN: 00048506
Place: Mumbai

V K Viswanathan
Director
DIN: 01782934
Place: Mumbai

Pradeep Jain
Exceutive Director and Chief Financial Officer
DIN: 02110401
Place: Bangalore

Mital Sanghvi
Company Secretary
Place: Mumbai

Date: May 18, 2023

Notes

CORPORATE INFORMATION

Executive Director and Chief Financial Officer

Pradeep Jain

Vice President-Company Secretary & Treasury

Mital Sanghvi

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