DIAGEO
INDIA

ANNUAL REPORT 2021-22

Gaining *Momentum*


GODAWAN
SINGLE MALT
artisan whisky
02
FRUIT AND SPICE
Cherry Cask Edition
2694
01

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Chairman's *Message*

Inclusion and Diversity (I&D) are deeply embedded in our values, and we continue to remain committed to building a diverse, yet inclusive workplace.

Dear Shareholders,

With the world starting to return to normalcy, thanks to the accelerated pace of vaccinations and well-defined safety protocols, our operations in India are gaining momentum.

The consumption demand is increasing steadily, although the headwind of rising inflation remains a concern. We are, however, confident of moving forward due to the intrinsic strength of our product portfolio and operational agility.

Under the leadership of our new MD & CEO, Hina Nagarajan, we are focussed on reshaping our business strategy. We aspire to become a top-performing consumer packaged goods (CPG) company in India delivering sustained double-digit, profitable top-line growth. In the backdrop of the pandemic that has served to underscore the importance of a healthy and sustainable world, our new mission statement takes a broader and more complete view to deliver long-term value to all our stakeholders — consumers, employees, trade partners, suppliers, communities in which we operate, and of course our shareholders.

Given the geographical diversity of our business and our stated goal to continually upgrade our performance, we aim to tap into market trends and new consumer cohorts to fuel our mission. What has helped our business further is the rising affluence of the population which has provided us with breakthrough opportunities in the sector. With the country expected to have the third-largest number of high-income households globally by 2030, India's growth story will continue to gain further momentum.

We want to use the immense opportunity provided by a growing economy to deliver our mission through three pillars: reshaping our product portfolio; creating an organisation of the future, which is being radically redefined by big societal and cultural shifts; and defining and executing an ambitious role for Diageo in Society.

Inclusion and Diversity (I&D) are deeply embedded in our values, and we continue to remain committed to building a diverse, yet inclusive workplace. We have extended our I&D agenda to include LGBTQ+ and people with disabilities, and our endeavour is to introduce relevant policies and initiatives to instil I&D into every level of the organisation.

Our CSR initiatives and "Grain-to-Glass" sustainability journey driven by the ESG (Environmental, Social and Governance) framework is a testament to our sense of responsibility towards our communities and the planet.

As we move forward, we see a strong horizon of opportunities, expanding beyond tier-one cities to smaller towns, where growing purchasing power corresponds to increased awareness about drinking better and not more.

I would like to extend my gratitude to you, our shareholders, for your unstinting faith and the trust you have reposed in us. I would also like to thank all members of the Board for their support and active participation.

Warm Regards,

Mahendra Kumar Sharma

Chairman

Managing Director & CEO's *Message*

> *Building an organisation of the future with a focus on digital acceleration and our brands, to enable us to achieve strong growth in 'Prestige & Above'.*

Dear Shareholders,

I am pleased to present Diageo India's Annual Report for 2021-22 as I complete my first year in office.

During the year, we reshaped our strategy with the mission to be a top-performing Consumer Products Company in India delivering sustained double-digit, profitable top-line growth and long-term value to all our stakeholders.

Our new strategy is anchored on three pillars:

- Reshaping our portfolio to focus on premiumisation and transformational innovation based on sharp consumer insights
- Building an organisation of the future with a focus on digital acceleration and our brands, to enable us to achieve strong growth in 'Prestige & Above'
- Defining and executing an ambitious role for Diageo India in Society

RESHAPING OUR PORTFOLIO

The renewed focus on portfolio premiumisation is yielding positive results. We witnessed strong growth in Scotch riding on premiumisation trends and positive policy developments. We launched our first artisanal single malt, Godawan, which caters to modern affluent Indians looking for bespoke experiences. With its larger purpose centred on mindful luxury, we expect Godawan to elevate Indian craft spirits as a highly aspirational offering across the world. Our first venture into Craft was through Epitome Reserve, an artisanal whisky. We launched two limited editions, the first edition is made from 100% rice grains (2,000 bottles) and the second edition is a Peated Indian Single Malt (3,600 bottles).

Our investment in Nao Spirits, makers of premium craft gin brands, Greater Than and Hapusa, marks another step forward in strengthening our participation in the fast-growing premium craft gin segment in India.

During the year, we launched Royal Challenge American Pride, a smooth, accessible, and inclusive whisky much enjoyed especially by younger consumers entering the legal drinking age. Our renovation interventions for Signature and Black Dog have also been well received, reflecting the growing appreciation for our brands, that has enabled us to achieve growth in 'Prestige & Above'.

As we move forward, we will continue to accelerate the momentum of our premiumisation strategy, through the launch of more brands from our global portfolio as well as powerful new innovations developed in India.

Another key milestone in reshaping our Portfolio is the sale and franchising of select brands in our Popular Portfolio. On May 27, 2022, the Board approved the sale and franchising of select brands to Inbrew Beverages Pvt Limited (Inbrew). The transaction involved the sale of the entire business undertaking associated with 32 brands for a total cash consideration of approximately ₹820 crore, subject to customary adjustments. The transaction does not include the McDowell's or Director's Special brands, which will be retained by the Company. The Company has also forged a 5-year franchise arrangement for 11 other brands with Inbrew. These developments reflect the continual evolution of the 'Popular' portfolio, and a sharpened focus on 'Prestige & Above', in line with our premiumisation strategy.

BUILDING AN ORGANISATION OF THE FUTURE

Organisations are getting radically redefined by big societal and cultural shifts. We are building an organisation that will win in the future through our strong focus on digital acceleration, and our brands, to enable us to achieve strong growth in 'Prestige & Above'.

With regard to our focus on digital, I am happy to share that we have launched our digital platform, In.theBar.com where consumers can explore the latest lifestyle trends and bring the lounge experience right into their living rooms. We explored the power of Augmented Reality via QR Code Scan to unlock the Digital Distillery Tour for Signature, showcasing the Grain-to-Glass journey. We also hosted the first-ever Holi party and music concert with Daler Mehndi in the Metaverse with McDowell's No1. During the year, we have also made significant progress through our technology interventions and are leveraging automation to drive efficiency in Sales and Operational Planning, as well as Productivity within the function. We have also adopted a blockchain-based track-and-trace system to curb counterfeiting and measure our sustainability practices.

A critical part of our strategy is the emphasis we have been placing on building capabilities of the future as well as fostering diverse talent and an inclusive culture. We launched the Diageo India Distillation and Maturation (D&M) University to strengthen Malt D&M capability with a focus on Craft and Premium Indian spirits. We created learning journeys for 40 D&M colleagues and enrolled 3 for the Master Distiller Course at the Institute of Brewing & Distilling. The Diageo India Marketing Academy was launched with a focus on consumer insights, digital, creative agility, and omnichannel experiences, keeping brands and consumers at the core. Our internal employee engagement survey "Your Voice" continues to reflect our people's passion for our purpose and brands. Our overall Inclusion and Diversity score is 89%, an increase of 3% from the previous year. 93% are proud to work for Diageo India and 85% would recommend Diageo India as a great place to work.

In order to drive agility and efficiency, we have embraced new ways of working such as 'Sprints' which bring together cross-functional teams to deliver a business agenda in shorter periods. We undertook various Sprints over the last year, and all of them have delivered successful outcomes. We also drove 'Radical Liberation' of our people during the year removing 1.5 lakh workhours of non-productive work and diverting the resources and time saved to growth initiatives.

DIAGEO IN SOCIETY

Last year, we launched Society 2030: Spirit of Progress, a new 10-year action plan on the role we will play in society, which focusses on driving ESG from Grain-to-Glass, moving India towards 'Drink better, not more', and leading Inclusion and Diversity.

Through our Learning for Life program, we admitted 925 students who have undergone training in business and hospitality skills, 54% of the programme beneficiaries are women. We have collected 41,000 metric tonnes of consumer plastic and recycled it through our Extended Producer Responsibility system. We have launched an afforestation drive to plant 80,000 trees to offset our residual greenhouse gas emissions and will double the use of solar energy over the coming months.

During the year, more than 198,900 people were educated through our positive drinking programmes which include Act Smart India, 'DrinkiQ' platform and Wrong Side of the Road.

We are also taking a lead in driving Inclusion and Diversity through progressive portrayals in our brand creatives covering real people. We are also one of the founding members of the Unstereotype Alliance program in India, which aims at working with advertisers across industries to be progressive and inclusive in their advertising and communication world.

> *In order to drive agility and efficiency, we have embraced new ways of working such as 'Sprints' which bring together cross-functional teams to deliver a business agenda in shorter periods.*

LEADING INCLUSION & DIVERSITY

We continue to drive our ambition of being one of the most inclusive and diverse companies in India. During the year, we have hired 42 people with disabilities and more than 48% of our new hires are women. We have launched market-leading policies such as the 26-Week Family Leave Policy which is an inclusive policy applicable to all new parents irrespective of gender and sexual orientation. We have also introduced, the 'Thriving Through Menopause' initiative which shares guidelines to raise awareness on menopause, gender-neutral protocols like Domestic and Family Abuse guidelines, and a Prevention of Sexual Harassment (POSH) policy.

BUSINESS PERFORMANCE: ACCELERATED TOP-LINE MOMENTUM THROUGH THE YEAR

As a result of our strategy and focus on executional excellence, our net sales increased by 18.9% during the year, mainly due to strong consumer demand in the off-trade, premiumisation, and recovery in the on-trade business. Our profit after tax grew at 148.1% to ₹770 crore. We saw an increase in net sales of our Prestige & Above segment at 23.6%, this is the highest ever growth rate for the portfolio and double the historical growth rates. Moving ahead, we aim to accelerate growth in luxury and premium categories and strengthen our play in our upper and mid prestige segments with highly differentiated offerings that speak to new consumer cohorts. We will continue to build on the strong momentum in the lower prestige segment and create new engines of 'future back' growth through transformational innovation and tapping into emerging opportunities and fast-growing segments.

> *Our active portfolio management, price advocacy engagements, adding more margin accretive brands and products, dialling up growth on Prestige & Above, and the conclusion of the popular brands' strategic review will allow us to sustainably meet the double-digit profitable growth guidance in this volatile and uncertain environment.*

LOOKING AHEAD

We are enthusiastic about the positive results from our strategy implementation this year. Our strategy has been validated over the last year and the consumer insights-led innovations and renovations have hit home and built momentum. We will continue to leverage these moving forward. Conscious of the significant levels of commodity inflation and geopolitical headwinds, we are working on a continual pipeline of productivity initiatives across the value chain. Favourable demographics and rapid premiumisation bode well for our industry and Diageo India. In addition, our active portfolio management, price advocacy engagements, adding more margin accretive brands and products, dialling up growth on Prestige & Above, and the conclusion of the popular brands' strategic review will allow us to sustainably meet the double-digit profitable growth guidance in this volatile and uncertain environment. Our rich talent, culture, and outstanding brand portfolio, along with the vast geographic footprint and the varied ecosystems in which we operate, enable us to be uniquely positioned to capture marketplace expansion opportunities and accelerate growth.

I thank our Board members and all of you for your support to the Diageo India team and look forward to building continued value for all our stakeholders.

Yours sincerely,

Hina Nagarajan

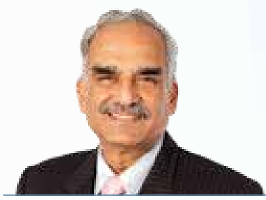
Managing Director & CEO

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

Randall Ingber
Non-Executive Director

Mark Dominic Sandys
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

Note:
Vinod Rao, resigned as a director effective from end of day December 15, 2021.
Pradeep Jain, CFO is a member of Risk Management Committee.

About *Diageo India*

We are India's leading beverage alcohol company with an exceptional portfolio of premium brands. We are a subsidiary of one of the world's largest alcobev companies, the London-based Diageo Plc. Our world-class portfolio includes Johnnie Walker, Black Dog, Black & White, VAT 69, Antiquity, Signature, Singleton, Royal Challenge, McDowell's No1, Smirnoff, Ketel One, Tanqueray and Captain Morgan. We want to create a positive role for alcohol in society. Some of our most substantial advocacy work involves tackling alcohol misuse and promoting responsible drinking. We are also passionate advocates of women's empowerment, water stewardship and reducing environmental impact.

We *are*

#1 Spirits Company in India

2nd Largest Spirits Company in the World

Credit Rating

- **Crisil AAA/Stable**
- **ICRA AA+(positive)**

Performance Snapshot FY22

₹30,731.1 crore
Revenue from Operations

58%
Improvement in Water Efficiency in Our Operations (Base Year FY07)

₹769.8 crore
Profit After Tax

96%
Reduction in Greenhouse Gas Emissions (Base Year FY07)

16.1%
EBITDA Margin

3,145
Direct Employment

₹10.59
Earnings Per Share

50%
Women Beneficiaries in Our Programmes

Building *a Winning Organisation*

We pride ourselves on our unique culture, rooted in a deep sense of purpose, a passion for winning, and a personal connection to our brands and each other. Pioneering, transparent, inclusive, empowering and performance-driven – these are the attributes we continue to infuse in our workplace. We are committed to introducing market-leading policies and building an organisation of the future by investing in our people. We enable them to enhance capabilities and create a positive employee experience.

Nurturing Inclusive and Diverse Workplaces

Our people are the foundation of our success, and we want to empower and encourage them to have open conversations about a range of important and challenging topics to drive change and make a difference. We celebrated the second edition of INC Week last year, dedicated to fostering Inclusion and Diversity at Diageo with 'Belonging' as the theme. The INC Week, celebrated across countries, is led by employees, for employees. It encourages us to open our minds and our hearts to listen, learn, connect and celebrate, pushing boundaries and breaking down barriers.

I&D *Snapshot*

48% of new hires have been women

42 people with disabilities hired

89% Inclusion and Diversity score (Your Voice – Internal Employee Engagement Survey)

Accelerating Inclusion & Diversity (I&D) Mission with New Policies and Guidelines:

We are committed to championing Inclusion & Diversity, creating a safe, healthy and inclusive workplace where our people feel valued and can thrive, allowing them to be their best – both at home and at work.

We believe true gender equality at work requires fundamental changes to working practices, including a shake-up of the policies and cultural norms around parental leave. Our "Family Leave Policy" is designed to consider everyone's wellbeing, regardless of gender or sexual orientation, so that they can cherish every moment of parenthood. The Family Leave Policy offers all eligible employees a fully paid 26-week parental leave. The policy will pave the way to greater equality, and we take immense pride in being one of the few companies in India to introduce such a policy.

RAISE AWARENESS
REACH OUT
REACT
REFER

We have introduced **Domestic & Family Abuse Guidelines** that enable us to create a working environment that promotes safety and is flexible, respectful and supportive of those employees experiencing Domestic & Family Abuse, so that they feel safe and comfortable to disclose abuse and seek help. The key pillars of these Guidelines are to Raise awareness, Reach out, React and Refer.

01 **Raise awareness:** Recognise and build awareness of the problem at an individual employee and community level

02 **Reach out:** Support and encourage impacted employees to report any concerns

03 **React:** Respond appropriately to disclosure by employees and provide appropriate employer support

04 **Refer:** Refer employees to resources to provide appropriate help

We have launched **Prevention of Sexual Harassment (POSH) Policy** that promotes and nurtures a work culture in which all individuals are treated with respect and dignity. This Policy is applicable to all employees of the Company of all genders and orientations. This is in line with our commitment to creating and maintaining a safe and secure work environment that ensures the health, safety and personal security of everyone.

We are encouraging open and empowering conversations, particularly in subjects that can often be difficult or taboo with the launch of first-of-its-kind global Menopause Guidelines, **Thriving Through Menopause**. The launch of these guidelines will encourage all of our employees to build their understanding of how menopause impacts women in the workplace and in our personal lives, as well as provide strengthened support and flexibility during what many women can find a challenging time in their professional careers. We are providing resources to employees and line managers who maybe experiencing menopause, directly or indirectly. Support mechanisms available include:

- Access to counselling or mindfulness sessions through the Employee Assistance Program (EAP).
- Increased flexibility where needed (e.g., changing working patterns, or access to sick pay entitlements to deal with symptoms where appropriate).

These Guidelines have been created by a global working group, including members of Diageo's Spirited Women's Network resource groups, who have brought personal experiences, alongside

best practice theory and ideas from external peers and partner companies.

These Guidelines are aligned to our Inclusion and Diversity goals outlined in Society 2030: Spirit of Progress, our 10-year action plan on the role we will play in society.

Project *Saksham*

Expanding our I&D narrative beyond gender diversity, we launched Project Saksham to drive inclusion of people with disabilities. An Inclusive and Diverse culture has always been central to our purpose of 'Celebrating life, every day, everywhere'. **Project Saksham** provides long-term support for the employment and development of people with disabilities in our supply chain functions. 42 people with disabilities across four manufacturing units are a part of this program which has helped boost their confidence, enhanced their soft skills, and given them an opportunity to contribute to the manufacturing process of our iconic brands. Project Saksham is a reflection of our vision to build a truly Inclusive and Diverse workplace.

Driving *Stronger Brand Engagement and Partnerships*

In keeping with macro trends, market dynamics and changing consumer preferences, we focused on innovating and delivering new brand experiences to our consumers. We captured emerging opportunities, drove retail transformation, launched our digital platform - In.thebar.com and strengthened our play in new growth segments such as Craft Whisky and Luxury Spirits. We continued to renovate our core portfolio. We are also taking a lead in driving Inclusion and Diversity through Progressive Portrayal of the society in our brand creatives, with real people. We are one of the founding members of the 'Unstereotype Alliance' in India, which aims at working with advertisers across industries to be progressive and inclusive in their communication.

Strengthening Our Product Portfolio

Godawan

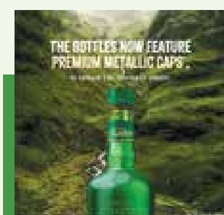
Set to redefine the world of modern and conscious Indian luxury, Godawan is an artisanal single malt whisky. It is crafted in, and its provenance inspired by Rajasthan – of beauty in scarcity and sustainability. Godawan embodies our commitment to sustainability and conservation of the Great Indian Bustard, which is on the brink of extinction. It was our pleasure to premiere Godawan at the Indian Pavilion of the 75th Cannes Film Festival 2022.

Royal Challenge American Pride

Challenging the status quo, Royal Challenge American Pride offers a new world experience that is bold and free-spirited. Our American spirit brings people together to define a new way of experiencing outdoors, life and whisky. It is a smooth gold liquid that challenges tradition by bringing together American Bourbon and Indian grain spirits and malts.

Epitome Reserve

Diageo India's first-ever artisanal craft whisky, Epitome Reserve, aims to bring rare and unique expressions from the company's vaults to Indian consumers. We launched two limited-editions, the first being a single grain, 100% rice whisky of 2,000 bottles; the second, a peated Indian single malt, 3,600 bottles only. Epitome Reserve is meticulously crafted and celebrates exceptional Indian craftsmanship. A limited number of these bottles were shipped internationally to UAE, Australia and New Zealand.



Relaunched Signature

With all-natural ingredients, the relaunched Signature aims to be the greenest Indian whisky and embraces sustainability. Louise Martin, our new Master Blender, brings together a blend that has Nature and Craft at its core. The overall bundle including the glass and all the packaging material, has been meticulously crafted with sustainability and great taste in mind.

Deepening Our Brand Engagements

#No1YaariCheers with McDowell's No1

We have rejuvenated the iconic McDowell's No1 as a vibrant and contemporary brand, brought to life through a trendy, tall and sleek bottle and a brilliant new and evolved liquid. Through the brand, we have tapped into the most relevant social conversations. We partnered with six Indian Premier League (IPL) teams as their 'Celebration Partner' to create a new language to express Yaari, the No. 1 Yaari Cheers. We also launched a 'Drink Positive' campaign with the 6 teams and 18 cricketers as a part of the IPL campaign.

#CrispClean with Smirnoff

A new influencer-led campaign 'Notoriously Crisp and Clean, You'll know it when you sip it', establishes the Smirnoff's superior product credentials.

#SavourThePause to ... Black Dog

To bring alive Black Dog's core idea of 'Savour The Pause', the brand partnered with Keira Knightley, a global icon, who epitomises the brand's philosophy. The multi-media campaign was activated across digital platforms and outdoors in key markets.

#SplendidSunsets #Its5pmShallWe with Gordon's

Gordon's tapped into consumers' growing love for gin with a campaign that owns early evenings, best celebrated with a refreshing sunlit Copa glass of the iconic Gordon's and tonic drink. We activated over 275 outlets across four metros to establish the new occasion.

#MagicOfSharing #JournalofSharing to... Black & White

In a first-of-its-kind partnership with global superstar Chef Heston Blumenthal, Black & White brought alive the brand ethos of 'Magic of Sharing' through a multi-media campaign. One of the key highlights of the campaign was a limited edition 'Secret Recipe Journal' pack which offered exclusive recipes created by the legend himself.

Johnnie Walker

'Keep Walking' - an energetic and vibrant 'Anthem', encouraged people to get back on their feet and move again – as they began socialising with confidence. The campaign was amplified socially during the festive season, coupled with quotes from cultural trailblazers which were promoted across outdoor sites in 8 cities. On New Year's eve, we hosted the first-ever drone show across the night sky in Goa with 'Keep Walking' as a reminder of positivity, optimism and resilience. This was witnessed by over 8,000 people celebrating on the beaches of Goa and viewed by over 10 million people on digital platforms. We also launched 'ReVIBE The NIGHT' campaign, a commitment to regenerate the lifeblood of social culture and the night-time economy. It inspired people to keep moving forward and revibe their after-hours socialising spaces, bringing together the biggest collaboration among bar communities, trending musicians and culture curators. The campaign reached 100 million viewers socially and engaged with 600+ outlets, via 300 events. We collaborated with India's foremost designer duo Abu Jani and Sandeep Khosla to bring to life bespoke experiences through Johnnie Walker Gold Reserve. Johnnie Walker Blue Label was showcased to Ultra High Net Individuals through immersive experiences including a dinner hosted by the Royal Prince of Jaipur in association with the Jaipur Polo Tournament.

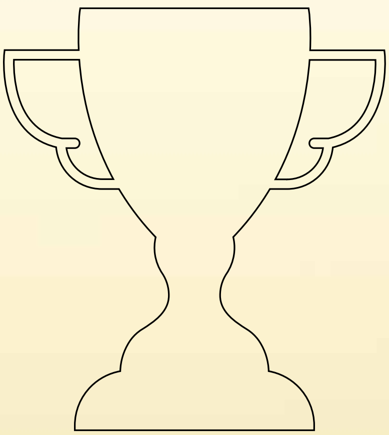
#DiscoveringPossibilities with The Singleton

The campaign 'This will be good', drove awareness and showcased The Singleton in its renovated avatar. Additionally, The Singleton was associated with the prestigious Jaipur Literature Festival, bringing alive the epicurean world through beautiful lounges, cocktails and master classes. A clear drinks strategy of The Singleton "Plus Two", aimed at educating the consumers about #nosingleway, led the serve narrative. Consistent engagement across, on-trade and retail ensured the brand's playful epicurean world stood out and The Singleton is seen as the Malt for All.

#GardenInMyGlass – Tanqueray

The iconic gin brand amplified its spirit of being experimentative with the 'Garden In My Glass' campaign. The campaign was further elevated by capturing consumer moments such as brunches or picnics driven by luxury influencers. Tanqueray was also one of the leading brands at India's biggest gin festivals – Gin Explorer's Club, where consumers immersed themselves in the Unmistakable world of Tanqueray. In addition, the brand collaborated with the designer Rahul Mishra to curate an exclusive night of savour and style.

Awards and Industry Recognitions



The Team has scored massively in the awards seasons across the year with 1 Silver and 4 Bronzes at the Transform Awards and 13 awards at the E4M Indian Marketing Awards, including the "Marketing Team of the Year", ahead of stalwarts in the CPG sector.

We are also the winners of the Cosmo Saturday Night Awards and won across multiple categories at the IndoSpirit Awards, Campaign India Digital Crest Awards, ET F&B Leaders 2021 Awards and co-shared Awards with PHD for the MMA global awards.

Epitome Reserve received several awards including Best Single Malt Whisky of 2021 by Alcobuzz, Best New Product of the Year Award and Best Packaging Award by Ambrosia. Black Dog won the Bronze at the International Spirits Challenge Design Awards.

Deepika Warrier, Chief Marketing Officer at Diageo India, won the CMO Experiential Marketing Award of the year at the Pitch CMO Awards and was featured on Campaign Asia's Asia-Pacific Power List 2022 as one of the region's most influential marketers.

Reinvigorating *Our Communities and Society*

During the year, our aim was to support our communities and society to emerge stronger through the pandemic. As part of this initiative, we supported public healthcare infrastructure in one district in each state/ union territory in the country.

Augmenting Public Healthcare Infrastructure

Last year Diageo Plc pledged support for India's COVID relief efforts. This enabled us to take our community efforts a step further to strengthen the public health infrastructure. As part of this initiative:

26 Oxygen Generating Plants were installed with a capacity of **9,400 Litres Per Minute** benefitting **900 patients** at a time.

Medical equipments were provided to a total of **25 public hospitals** across 13 states and **4 armed forces hospitals** to address their immediate needs. In addition to this, support was extended to Delhi Government with **8 container clinics** and **100 oxygen cylinders** to Karnataka Government.

6 Kilolitres Oxygen Tank providing uninterrupted oxygen supply to **130 Intensive Care Units (ICU)** patients and **370 non-ICU patients.**

9 units of 16-bedded and a unit of 8-bedded safe prefabricated container hospital along with oxygen concentrators were provided to **10 districts** across India benefitting **152 patients** at a time.

Society 2030:
Spirit of Progress

Last year, we launched Society 2030: Spirit of Progress, a new 10-year action plan on the role we will play in society. It is fundamental to our mission and to our impact of creating long-term value for all our stakeholders, which is why it sits at the heart of our strategy. We have 3 goals that are built around the most material issues for our business context in India - driving ESG from Grain-to-Glass, moving India towards Drink Better, not more, and leading Inclusion and Diversity. We have the same rigorous data-driven approach to the delivery of our ESG goals as we take to the rest of our business.

Target 2030: Society 2030: Spirit of Progress

Preserve Water for Life

- 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.

Accelerate to a Low Carbon World

- Achieve net-zero carbon emissions (Scope 1 & 2) across our direct operations by 2025.
- Ensure that all our operations are powered by 100% renewable electricity by 2030.
- Reduce our value chain (Scope 3) carbon emission by 50%.

Become Sustainable by Design

- Achieve zero waste to landfill.
- Ensure 100% of our packaging is widely recyclable.
- Increase recycled content of our packaging to 60% and achieve 100% recycled content in plastics by 2030.

Water Stewardship

During the year, as part of our water replenishment efforts, we constructed rainwater harvesting structures, helped revive borewells and worked on desilting of ponds.

The projects executed during last financial year 2020-21 were validated this year and 1,98,501 cubic metres of water was replenished across water-stressed sites at two manufacturing units i.e. Baramati & Nanded in Maharashtra, through 31 projects across 12 villages. Furthermore, this year, we have initiated projects across Kumbalgodu (Karnataka) and Nanded & Nashik (Maharashtra) to create capacity to replenish 4,79,047 cubic metres of water.

We are working together with stakeholders, including local communities, panchayats, NGOs and private entities to better manage water resources and drive collection efforts across critical water basins effectively. We have initiated work on collective action at our manufacturing unit in Alwar (Rajasthan) and are working on water replenishment projects in the catchment of Ruparel river basin.

Accelerate to a Low Carbon World

We are pursuing our ambition of achieving 100% renewable energy [RE100] by doubling on-site solar potential across our manufacturing facilities. We have installed solar plants across Kumbalgodu, Alwar, Goa and Baramati. These installations will help to increase our in-house Renewable Electricity capacity to more than 70% and will add around 2 million kilowatt-hour of Renewable Electricity annually which will also help us avoid 1,600 metric tonnes of carbon emission throughout the year.

'Learning for Life' Programme

We believe that Inclusion and Diversity are the cornerstones for sustainable business growth and a progressive society. Therefore, our 'Learning for Life' and other initiatives, are aimed at providing skills and resources to drive inclusion by improving employability and livelihood. This year, we admitted 925 students with 54% women undergoing training in the hospitality sector. 610 students have already completed the course and 156 students have been placed. 343 students admitted to the same programme during the financial year 2020-21 also completed their training. Through our other skills programme, 126 women were trained in mushroom cultivation in Gopalpur, Odisha.

Fostering Positive Drinking

We want to change the way the world drinks for the better by celebrating moderation and continuing to address alcohol-related harm. Therefore, our programmes are designed to address issues such as underage drinking, drink-driving and binge drinking. Some of the key initiatives undertaken during the year were:

Act Smart India

Over 60,000 youth participated in this programme that uses powerful storytelling as a tool to create awareness on the dangers of underage drinking, empowering them to make safe choices around the consumption of alcohol.

Wrong Side of the Road

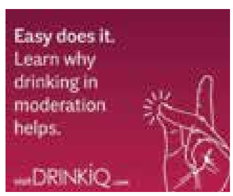
WRONG SIDE OF THE ROAD

Developed together with the United Nations Institute for Training and Research (UNITAR), this programme presents a series of real-life scenarios to sensitise participants on the effects of drink-driving. Around 84,000 consumers participated in this anti-drink driving learning experience.

Tab Labs at RTOs

We have collaborated with five Regional Transport Offices in Rajasthan, Maharashtra and Uttar Pradesh and set up Tab Labs to spread awareness on the effects of drink-driving through the "Wrong Side of the Road" programme among all licence applicants above legal drinking age.

DRINKiQ Website



The initiative aims to raise the 'Collective Drink IQ' by increasing public awareness of the effects of alcohol and supporting responsible drinking. During the year, 54,900 visitors were educated on making responsible choices by providing information and resources to encourage moderate consumption.

Pioneering Grain-to-Glass Sustainability

Our Grain-to-Glass sustainability programme focuses on using natural resources responsibly by reducing carbon emission, water consumption and waste, and using sustainable packaging in our operations. Till date, we have achieved:

- 96 percent reduction of Greenhouse Gas emissions through biofuels, solar power and steam turbine power (Base Year FY07).
- 58 percent improvement in water efficiency in operations through technology upgradation, water conservation, wastewater treatment and water recycling (Base Year FY07).

UNITED SPIRITS LIMITED
Registered Office: "UB Tower", No. 24, Vittal Mallya Road, Bengaluru – 560 001
Tel: 080-4544 8000; 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-third Annual General Meeting ("AGM") of the members of United Spirits Limited ("the Company") will be held on Tuesday, 9th August, 2022 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, 2022 and the Reports of the Directors' and Auditors thereon.

2. To appoint a Director in place of Mr. Randall Ingber (DIN: 07529943), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

3. **Payment of Commission to Independent Directors and Non-Executive Directors.**

To consider and, if thought fit, to pass the following Resolution as a Special Resolution:

"RESOLVED THAT in supersession of the resolution passed by the members for the payment of remuneration at the Company's twenty-second Annual General Meeting held on August 26, 2021 and pursuant to the provisions of sections 149(9), 197, 198, Schedule V and any other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and the Rules made thereunder ('the Act'), consent of the members be and is hereby accorded for payment of remuneration in each financial year to the Non-Executive Directors of the Company appointed from time to time, in the form of commission, in addition to the sitting fees and reimbursement of expenses for participation in the Board and other meetings, as the Board of Directors may from time to time, determine subject to the aggregate remuneration not exceeding 1% of the net profits of the Company in any financial year (computed in the manner provided in section 198 of the Act) or in aggregate not exceeding ₹ 4,00,00,000 (Rupees four crore only), whichever is less and that this resolution shall remain in force for a period not exceeding three financial years commencing from April 1, 2022 (for the financial years 2022-23, 2023-24 and 2024-25).

RESOLVED FURTHER THAT in case of loss or of inadequacy of profits, the Company be and is hereby authorised to pay remuneration in the form of commission, in addition to the sitting fees and reimbursement of expenses for participation in the Board and other meetings, as the Board of Directors may determine from time to time, not exceeding ₹ 4,00,00,000 (Rupees four crore only) per annum, in aggregate, to the Non-Executive Directors of the Company appointed from time to time, for a period not exceeding three financial years commencing from April 1, 2022 (for the financial years 2022-23, 2023-24 and 2024-25)."

4. **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.**

To consider and if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) read with the Companies (Management and Administration) Rules, 2014 and the provisions of the Memorandum and Articles of Association of United Spirits Limited (the "Company"), and subject to the approvals, consents and permissions as may be necessary from the concerned statutory authorities and subject to such terms and conditions as may be imposed by them, and which may be agreed to by the Board of Directors of the Company (the "Board", which expression shall also include a committee thereof), the consent of the members of the Company be and is hereby accorded for (i) the transfer and sale of the entire business undertaking associated with the specified 32 brands in the 'Popular' segment (including the related contracts, permits, intellectual property rights, associated employees, and a manufacturing facility) by way of a slump sale (as defined under section 2(42C) of the Income Tax Act, 1961) on a going concern basis, to Inbrew Beverages Private Limited ("Inbrew") [CIN - U99999DL1972PTC318242] a private limited company incorporated under the provisions of the Companies Act, 1956, having its registered office at 406, Kusal Bazar, 32-33, Nehru Place, New Delhi 110019, for a lumpsum consideration of ₹ 8,284.5 million (Indian Rupees Eight Thousand Two Hundred Eighty Four Million and Five Hundred Thousand), subject to certain customary adjustments on terms and conditions specified in the slump sale agreement and such other agreements executed or to be executed by the Company with Inbrew; and (ii) the grant of franchise in respect of 11 other brands under the 'Popular' segment to Inbrew for a period of 5 (five) years in consideration of a commercially agreed royalty payable by Inbrew, together with an option for Inbrew, subject to certain specified conditions, (a) to convert the fixed term franchise agreement into a franchise agreement with perpetual right to use by the parties executing a long term franchise agreement, and/or (b) to acquire such brands by the parties executing an assignment deed, in each case for a total royalty / consideration, payable by Inbrew as per the agreed payment schedule.

RESOLVED FURTHER THAT the Board be and is hereby authorized to undertake all such acts, deeds, matters and things and to finalize and execute all such deeds, documents and writings as may be deemed necessary, and to implement the aforementioned transactions (including, without limitation, the slump sale agreement for the business undertaking associated with the specified 32 brands in the 'Popular' segment as well as the fixed term franchise agreement, long term franchise agreement and assignment deed in respect of the 11 other brands in the 'Popular' segment), take all actions proper, desirable and expedient in its absolute discretion including without limitation, effecting any modifications or changes to the foregoing, for the purpose of giving effect to this resolution and to settle any question, difficulty or doubt that may arise in this regard.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred on it by or under this resolution to any Committee of Directors or to any Director or Officer(s) or Authorized Representative(s) of the Company in order to give effect to this resolution.

RESOLVED FURTHER THAT all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolution are hereby approved, ratified and confirmed in all respect."

By Order of the Board

Mital Sanghvi
Company Secretary

Place : Mumbai
Date : June 22, 2022

Notes:

1. In view of the continuing COVID-19 pandemic, Ministry of Corporate Affairs 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 dated December 08, 2021, Circular No. 21 dated December 14, 2021 and Circular No. 02 dated May 05, 2022 "MCA Circulars" and Securities and Exchange Board of India vide its Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020 and Circular No. SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 and Circular No. SEBI/HO/CFD/CMD2/CIR/P/2022/62, dated May 13, 2022, 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 ("SEBI LODR") and MCA Circulars, the 23rd AGM of the Company is being held through VC/ OAVM on Tuesday, 9th August 2022 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 2021-22 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 2021-22 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 Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI 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. Corporate members 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, 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. Nomination facility for shares, held in physical form, is available for members. The prescribed form in this regard can be obtained from the Company's Registrars and Transfer Agents.

10. 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.

11. 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.

12. 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.

13. The members are requested to email their grievances for redressal to bglsta@integratedindia.in/ investor.india@diageo.com .

14. 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 23rd AGM by electronic means and the votes may be cast through electronic voting ('e-voting') services provided by Central Depository Services (India) Limited ['CDSL'].

15. 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.

16. 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.

17. 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.

18. 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 e-voting period begins on August 6, 2022 at 10.00 a.m. and ends on August 8, 2022 at 5.00 p.m. 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. August

2, 2022, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

(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.

ii) Pursuant to abovesaid SEBI Circular, Login method for e-voting and joining virtual meetings for Individual shareholders holding securities in Demat mode 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/myeasi/home/login or visit "http://www.cdslindia.com"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/myeasi/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 "http://www.cdslindia.com"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.
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

Type of Shareholders	Login Method
	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.

iii) 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@cdslindia.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

(iv) Login method for e-voting and joining virtual meeting for physical shareholders & shareholders other than individual **shareholders.**

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 bglsta@integratedindia.in
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.

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

(vi) 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.

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

(viii) Click on the EVSN of the Company.

(ix) 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.

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

(xi) 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.

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

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

(xiv) 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.

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

(xvi) 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 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, if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

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 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 number at investor.india@diageo.com. These queries will be replied to by the company suitably by email.

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 maybe considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

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 bglsta@integratedindia.in / investor.india@diageo.com.

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 – 400 013 or send an email to helpdesk.evoting@cdslindia.com or call toll free no. 1800 22 55 33.

19. Mr. Sudhir V. Hulyalkar, Company Secretary in Practice (CP - 6137); Address: 16/8, Ground Floor, 2nd Cross, Gupta Layout, South End Road (Near South End Circle), Basavanagudi, Bengaluru – 560 004 has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.

20. The Scrutinizer shall, not later than 48 hours 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.

21. 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.

22. 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. August 9, 2022. Members seeking to inspect such documents can send an email to investor.india@diageo.com.

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

Item No. 3 - Payment of Commission to Independent Directors and Non-executive Directors.

It may be noted that the Non-Executive Directors devote their valuable time and have experience to give critical advice to the Company. The members may further please note that this is only an enabling resolution as your Company's profits calculated in accordance with Section 198 of the Companies Act, 2013 is allowing the Company to pay remuneration to Non-Executive Directors. Further, the members may please note that the Company has not been paying any remuneration to the Non-Independent Non-Executive Directors.

This proposal was duly approved by members at the Annual General Meeting held on 26th August, 2021 and was in conformity the regulatory requirements. However, the Company had received feedback from a section of the members that tenure for payment of commission in case of adequate profits should be defined and a cap be set in absolute terms on the commission payable to Non-Executive Directors.

Based on the aforesaid feedback and as a good governance practice, it is proposed to seek members' approval once again incorporating the aforesaid suggestions.

The Board has recommended the proposal for shareholders' consideration and approval by way of special resolution. The tenure of the approval is capped for three years and the maximum commission payable to all the Non-Executive Directors in aggregate is ₹ 4,00,00,000 (Rupees four crore only) per annum.

Other disclosures to be provided in terms of Sections 196 to 198 read with Schedule V and applicable Rules under the Companies Act, 2013 and SEBI Regulations, as the case may be is given below:

A. **General Information:**

i. Nature of industry: Alcoholic Beverages

ii. Date or expected date of commencement of commercial production: Existing Company

iii. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable

iv. Financial performance based on given indicators: The Key Financial Parameters of the Company as on March 31, 2022 is given below:

Particulars	Amount ₹ in millions
Gross Sales	3,07,311
Profit/Loss from operations	14,873
Exceptional and other non-recurring items	-2,091
Less:	
Depreciation	2,542
Taxation (including deferred tax)	2,542
Profit/(Loss) after tax	7,698

v. Foreign investments or collaborations, if any: The Company is a subsidiary of Diageo PLC (through Relay BV), which owns 55.94% of the paid-up equity capital of the Company.

B. **Information about the Non-Executive directors:**

i. **Background details:** The profile of the present Non-Executive Directors are given below:

a. Mr. Mahendra Kumar Sharma:

Mahendra Kumar Sharma holds Bachelors' degrees in Arts and Law, PG Diplomas in Personnel Management and Labour Law, and has completed the Advanced Management Programme at the Harvard Business School. Sharma joined Hindustan Unilever Ltd. (HUL) in 1974 and retired from the Company in 2007. He was a member of the Board of Directors of HUL for 12 years, including seven years as Vice Chairman.

He is the founder of M K Sharma & Associates and has rich experience in the field of mergers and acquisition, corporate restructuring and law. He has been a member of the Corporate Law Committee of the Ministry of Corporate Affairs, and the Naresh Chandra Committee on Corporate Governance, as well as being involved in several industry associations. He is Chairman of the Board of Directors of ICICI Bank and on the board of prestigiuos companies such as Wipro, Asian Paints and Blue Star. He is also a member of the Executive Board of the Indian School of Business.

b. Mr. V K Viswanathan:

V.K. Viswanathan is a Chartered Accountant from the Institute of Chartered Accountants of India. He has completed several advanced leadership management training programmes from many prestigious institutions, including Stanford University. Mr. Viswanathan has over 40 years' experience in the automotive and consumer goods sectors and is currently Chairman of Bosch Limited. He has held various leadership positions in Bosch Group, Hindustan Unilever Limited and Tata Consultancy Services across the globe, including India, UK, Germany and USA. He is also on the board of several companies, including Bharti Airtel Limited, HDFC Standard Life Insurance Company Limited, TransUnion CIBIL Limited. He also serves as a Management Committee member of the Indo-German Chamber of Commerce .

c. Mr. D Sivanandhan:

Mr. D Sivanandhan is a highly regarded IPS officer with an illustrious career spanning 36 years. After earning a postgraduate degree in Economics, he joined the IPS in 1976 and retired as the Director General of Police of Maharashtra state police in 2011. He has held several senior positions in the Intelligence Bureau, Central Bureau of Investigation and Mumbai crime branch. He has also served as Commissioner of Police of Nagpur, Thane city and Mumbai. He has been awarded the Meritorious Service Medal (1993), the President's Distinguished Service Medal (2000) and also the Internal Security Medal (1998). He has worked in the National Security Council Secretariat, New Delhi as a member of the special task force and also as the Security Adviser to the RBI for three years. He is on the Board of several prestigious companies.

d. Mr. Rajeev Gupta:

Mr. Rajeev Gupta graduated from IIT Varanasi and earned MBA from IIM Ahmedabad. He has over 33 years' experience in manufacturing, investment banking and private equity. A former CEO of Cosmo Ferrites and Joint MD of DSP Merrill Lynch, he is currently the Managing Director of Arpwood Capital Limited, an investment banking company he founded in 2012, and a partner at Arpwood Partners Investment Advisors LLP, which manages private equity investments. He is on the board of EIH Limited, Cosmo Films, TVS Capital Funds, TV Today Network, Vardhman Special Steel and VIP Industries.

e. Dr. (Mrs.) Indu Shahani

Dr. Indu Shahani has a Ph.D in Commerce from University of Mumbai and has extensive teaching experience at university and degree college levels. She is the Principal of H.R. College of Commerce & Economics, Mumbai and is former Sheriff of Mumbai. She is also a founding president and Chancellor of ATLAS SkillTech University. She has been a member of the University Grants Commission. She was awarded an honorary Doctor of Letters degree by the University of Westminster, London. Dr. Shahani is on the board of leading Indian companies such as Eureka Forbes, Bajaj Electricals, Colgate-Palmolive (India), Franklin Templeton, LafargeHolcim and Clariant.

f. Mr. John Thomas Kennedy

Mr. John Thomas Kennedy is currently the President of Diageo Europe, Russia, Turkey and India and is a member of the Diageo Global Executive Team. He has held a variety of senior positions across Diageo including President – Western Europe, Managing Director – Ireland and Managing Director – Canada. Mr. Kennedy was previously President of IBEC, Ireland's leading business organisation and on the board of Social Entrepreneurs Ireland, an organisation focused on fostering social innovation. He also worked for Quaker Oats in the United States and Smithline Beecham in England.

g. Mr. Randall Ingber

Mr. Randall Ingber is General Counsel for Asia Pacific (including India), Supply & Procurement and Global Litigation at Diageo. Mr. Ingber is responsible for the management of Diageo's most significant global disputes, as well as handling legal support for the company's fast growing Asia Pacific businesses and Supply and Procurement function. He has been with Diageo for over 17 years, covering market and corporate legal roles in Australia, Japan, Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines and India, in addition to head office support in the UK. Mr. Ingber graduated from the University of Pennsylvania in 1995 with a major in Psychology and later received a Juris Doctorate from the University of California Hastings College of the Law in 2000.

h. Mr. Mark Dominic Sandys

Mr. Mark Dominic Sandys is a graduate of Oxford University and a highly experienced senior marketing executive. He has worked at Diageo for over 20 years, beginning as a graduate trainee. He was appointed Global Head of Beer and Baileys, in November 2014 and is based in Dublin. In this role he is accountable for all of Diageo's beer businesses worldwide. He is also responsible for the Baileys brand, Diageo's 4th biggest spirits brand and the world's best-selling liqueur. In 2016, the Smirnoff brand has come under his remit and more recently he took on Captain Morgan. Collectively the Beer, Baileys, Smirnoff and Captain Morgan portfolio is worth approximately 30% of the Diageo's business. Prior to his current role, Mr. Mark Sandys was the Category Director, Whisky & Reserve, for Diageo Asia Pacific. Based in Singapore Mr. Mark Sandys was responsible for driving the growth of the Scotch and Reserve portfolio across the region which saw Diageo reach record levels of market share in Whisky. Before moving to Singapore in 2011, he held the position of Marketing Director for Diageo Russia and Eastern Europe for three years and was based in Moscow.

ii. Past Remuneration: The past remuneration drawn by Non- Executive Directors for financial year 2021-2022

(Amount in ₹)

Sr. No.	Name of Director	Commission	Sitting Fees	Total
1	Mr. M K Sharma	47,00,000	9,75,000	56,75,000
2	Mr. V K Viswanathan	39,00,000	12,50,000	51,50,000
3	Dr. Indu Shahani	40,00,000	11,00,000	51,00,000
4	Mr. Rajeev Gupta	35,00,000	14,25,000	49,25000
5	Mr. D Sivanandhan	39,00,000	14,25,000	53,25,000
	Total	2,00,00,000	61,75,000	2,61,75,000

iii. Recognition or Awards: These details are covered as a part of the profiles provided in above.

iv. Job profile and suitability: These details are covered as a part of the profiles provided in above.

v. **Remuneration proposed:** Aggregate remuneration in the form of commission not exceeding 1% of the net profits of the Company in each financial year of the Company or in aggregate ₹ 4,00,00,000 (Rupees Four Crore Only) per annum, whichever is lower, for a period of three years, for all non-executive directors appointed by the Company from time to time, is to be paid, excluding sitting fees and reimbursement. In case of loss or inadequate profits, commission shall be paid in the aggregate of not exceeding ₹ 4,00,00,000/- (Rupees Four Crore Only) per annum for all non-executive directors for a period of three years (FY 2022-23, 2023-24, and 2024-25).

vi. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):

Taking into consideration the size of the Company, the profile of Non-Executive Directors, the responsibilities shouldered by them and the industry benchmarks, the commission proposed to be paid is commensurate with those paid to Non-Executive Directors of other companies.

vii. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel or other director, if any: No pecuniary relationship other than the remuneration as stated above.

C. **Other Information:**

i. Reasons for loss or inadequate profits: The Company has been consistently making profits except for the financial year ended March 31, 2014 and for the financial year ended March 31, 2015 due to certain exceptional and one-off items. If the profits of each of the years is calculated in terms of the provisions existing prior to the Companies (Amendment) Act, 2017 ("Amendment"), the Company had net profits calculated for this purpose under section 198 of the Act.

The reasons for the losses during the year 2013-14 and 2014-15 were due to certain exceptional and one-off items of provisions, write-offs and losses in those years which have already been disclosed and approved by the shareholders as part of the approved audited financial statements of those years.

ii. Steps taken or proposed to be taken for improvement: Pursuant to the approval of the shareholders of the Company at an extraordinary general meeting of the Company held on 9th January 2015, the Company entered into a number of agreements with certain Diageo entities for manufacture and sale of certain key brands owned by such Diageo entities. These agreements have enabled the Company to be in a position to gain a diverse product portfolio, additional sales revenue and improve the Company's standing in the domestic market by virtue of leveraging the Diageo brand and know-how. Also, these agreements are value accretive for the Company and are consistent with the Company's strategy to build and extend its competitive advantage in the "Premium and above" market segments. This has been demonstrated by the Company achieving profitability over the years excluding the unprecedented Covid-19 year through its premiumization strategy. Prestige and above segment accounted for 72.5% of the net sales for the financial year ended March 31, 2022.

iii. **Expected increase in productivity and profits in measurable terms:** The financial performance including the profitability over the four financial years are given below which clearly show that the Company is on the right path.

(₹ Millions)

Financial year	Gross Sales	Profit after tax	Market Capitalisation
2021-22	307,311	7,698	645,509
2020-21	271,764	3,103	404,011
2019-20	285,892	7,047	352,129
2018-19	285,123	6,586	402,485

Except Non-executive Directors and their relatives, none of the other Directors, Key Managerial Personnel ("KMP") of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 3 of the Notice.

The Board recommends the special resolution set forth in Item No. 3 for your approval.

Item No. 4

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.

Pursuant to the announcements dated February 23, 2021, December 27, 2021, March 29, 2022 and May 27, 2022 concerning the strategic review of selected 'Popular' brands, United Spirits Limited (the "Company") decided to: (i) sell the entire business undertaking associated with 32 brands of the Company in the 'Popular' segment (including related contracts, permits, intellectual property rights, associated employees, and a manufacturing facility) (collectively referred to as the "Business Undertaking") by way of a slump sale; and (ii) grant a franchise in respect of 11 other brands of the Company in the 'Popular' segment, together with an option, 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.

The transaction reflects the continued evolution of the management of the 'Popular' portfolio since 2016, when the Company moved to a franchise model in many states to enable a sharpened focus on 'Prestige & Above' segment. This is also in line with the Company's strategy to premiumise its portfolio, in order to achieve long-term profitable growth. The transaction does not include the McDowell's or Director's Special trademarks, which will be retained by the Company.

The Company, through its financial advisors, Morgan Stanley, invited interested parties to submit a proposal for sale of the Business Undertaking and grant of franchise as mentioned above and the proposals received were evaluated by the Board of Directors. After evaluating the various proposals and discussions with the relevant parties, the offer proposed by Inbrew Beverages Private Limited ("Inbrew") was strategically identified as being in the best interest of the Company and all its stakeholders, and was approved by the Board of Directors in their meeting held on 27 May 2022. Inbrew is engaged in the business of brewing, distributing and selling beer under owned brand Thunderbolt and franchise beer brands Miller, Carling and Blue Moon.

Sale of Business Undertaking:

In relation to the Business Undertaking, the Company entered into a Slump Sale Agreement on 27 May 2022 with Inbrew ("SSA") to sell, transfer, assign and deliver the Business Undertaking, by way of a slump sale on a going concern basis to Inbrew, for a lumpsum consideration of ₹ 8,284.5 million (Indian Rupees Eight Thousand Two Hundred Eight Four Million and Five Hundred Thousand), subject to certain customary adjustments on terms and conditions specified in the SSA and other agreements executed or to be executed by the Company with Inbrew.

The revenue of the Business Undertaking (during the year ended March 31, 2022) is ₹ 59,702 million (Indian Rupees Fifty Nine Thousand Seven Hundred and Two Million), representing approximately 19% of the total consolidated revenue of the Company, and the net worth of the Business Undertaking (as at March 31, 2022) is ₹ 3,569 million (Indian Rupees Three Thousand Five Hundred and Sixty Nine Million), representing 7% of the consolidated net worth of the Company.

Some of the key terms of the SSA are as follows:

(a) The Company will transfer by way of slump sale, the entire Business Undertaking to Inbrew in accordance with the terms of the SSA. The Business Undertaking comprises the following brands and all variants thereof: Amber, Black Stallion, Bombay Deluxe, Derby, Diplomat, Doctor's Brandy, Doctor's Special, Doctor's Day and Night, Golconda, Gold Medal, Golden Grape, Green Label, Haywards, Honey Bee, John ExShaw/ ExShaw, Joie De Franc, Kerala Malted, Kissan, Louis Vernant, Louis XI, Majestic, Men's Choice, Men's Club, Old Tavern, Old Adventurer, Regal Crest, Romanov, VIN, White Mischief, French VSOP, Bonaparte VSOP and Tiger, subject to the terms of the SSA.

(b) The sale of the Business Undertaking is subject to the approval of the shareholders of the Company, and other customary closing conditions (including the Fixed Term Franchise Agreement described below coming into effect on the closing date). Each party is obliged to pay a specified break fee to the other if the SSA fails to close due to the respective party's failure to complete specified conditions precedent under the SSA.

(c) The sale of the Business Undertaking is expected to be completed by the end of the quarter ending September 30, 2022.

The proceeds from the sale of the Business Undertaking will, under the guidance of the Board, be allocated in the best way to maximise long-term value for the business and for the shareholders. The surplus in the short term will be invested appropriately.

Franchise Arrangements and Call Option in relation to certain other brands in the Popular Segment:

The Company has also entered into a franchise agreement on 27 May 2022 ("Fixed Term Franchise Agreement") to grant to Inbrew the exclusive right to use Bagpiper, Black Riband, Blue Riband, Carew's, Duet, Gold Riband, Old Cask, Red Riband, Silk Riband, Silver Riband, and White Riband and all variants thereof to manufacture, market, distribute and sell the relevant products. The Fixed Term Franchise Agreement will come into effect on the completion of the sale of the Business Undertaking described above and operate for a period of five years.

The Company has also entered into an option agreement on 27 May 2022 ("Option Agreement"), pursuant to which Inbrew has an option: (i) to convert the Fixed Term Franchise Agreement into a franchise arrangement with a perpetual right to use, during the five year term of the Fixed Term Franchise Agreement (the agreement incorporating such perpetual franchise arrangement, the "Long Term Franchise Agreement"); and / or (ii) to purchase such brands following the release of the existing disputed encumbrance over such brands (as explained below).

The revenue of the franchised brands (during the year ended March 31, 2022) is ₹ 27,794 million (Indian Rupees Twenty Seven Thousand Seven Hundred and Ninety Four Million), representing approximately 9% of the total consolidated revenue of the Company, and the net worth of the franchise brands (as at March 31, 2022) is ₹ 1,370 million (Indian Rupees One Thousand Three Hundred and Seventy Million), representing approximately 3% of the consolidated net worth of the Company.

Some of the key terms of the Fixed Term Franchise Agreement and the Option Agreement are as follows:

(a) Under the Fixed Term Franchise Agreement, a commercially agreed royalty is payable by Inbrew over a period of five years.

(b) The franchised brands / variants are the subject of an encumbrance, the validity of which has been disputed by the Company on the basis that the Company has fully repaid the underlying loan (together with the accrued interest and all other amounts) (Refer note 4(e) in the notes to accounts of the Company's financial statements for the financial year ended March 31, 2022 for additional details). Pending the resolution of the ongoing dispute and the release of the existing encumbrance over the franchised brands, the legal title to the franchised brands will continue to remain with the Company.

(c) At any time during the term of the Fixed Term Franchise Agreement, Inbrew shall be entitled to convert the fixed-term franchise arrangement into one with perpetual rights to use by executing the Long Term Franchise Agreement, subject to payment of pre-agreed consideration. Assuming that the Long Term Franchise Agreement is executed at the end of five years from the date of commencement of the Fixed Term Franchise Agreement, an amount aggregating to approximately ₹ 12,930 million (Indian Rupees Twelve Thousand Nine Hundred and Thirty Million) will be payable by Inbrew, of which an agreed portion shall be payable upfront at the time of commencement of the Long Term Franchise Agreement and the balance amount shall be payable as royalty in 20 quarterly instalments.

(d) Inbrew is also entitled to a call option under the Option Agreement to purchase the franchised brands upon payment of the pre-agreed consideration, which shall be exercisable following the release of the existing encumbrance over such brands during the term of the Fixed Term Franchise Agreement or the Long Term Franchise Agreement. Assuming that Inbrew exercises its option to convert the Fixed Term Franchise Agreement into the Long Term Franchise Agreement and all the royalty instalments under the Long Term Franchise Agreement are duly paid, a balance consideration of ₹ 378 million (Indian Rupees Three Hundred and Seventy Eight Million) will be payable by Inbrew at the time of assignment of the franchised brands by the Company, following the exercise of the call option by Inbrew to purchase the franchised brands.

(e) In the event of certain specified adverse actions which result in Inbrew's rights under the Long Term Franchise Agreement being impaired or prejudiced for a period of 60 days or more, the Long Term Franchise Agreement and the Option Agreement shall stand terminated, and the Company will be required to refund to Inbrew, the franchise consideration paid by Inbrew under the Long Term Franchise Agreement, together with an agreed simple interest. In the event of such specified adverse actions occurring during the term of the Fixed Term Franchise Agreement, only the franchise arrangement shall stand terminated and Inbrew shall retain the call option to purchase the franchised brands for a period of five years thereafter.

The sale of the Business Undertaking, by way of a slump sale on a going concern basis to Inbrew in accordance with the terms of the SSA, and the grant of the call option as well as the franchise arrangements in accordance with the terms of the Option Agreement, the Fixed Term Franchise Agreement and the proposed Long Term Franchise Agreement, were approved by the Board of Directors at its meeting held on May 27, 2022.

The proposed transactions will not have any distribution impact on the Company's ongoing business. The 'Prestige & Above' and 'Popular' businesses have been operating quite independently and even in the states where there were franchise arrangements for the 'Popular' segment, the Company had an independent frontline force for the 'Prestige & Above' segment.

On a consolidated basis, the EBITDA margin currently contributed by the brands comprised in the SSA and the franchise arrangements is approximately 14% to 15%, of which the direct and serve model accounts for approximately 11% to 12% (with the remaining margin being contributed by the franchise royalty).

In accordance with the provisions of Section 180(1)(a) of the Companies Act, 2013 (the "Act") any sale, lease or disposal by other means of the whole or substantially the whole of the undertaking of the Company requires the approval of members of the Company accorded by way of a special resolution. An undertaking for the purpose of Section 180(1)(a) of the Act means an undertaking in which the investment of the Company exceeds 20% of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates 20% of the total income of the Company during the previous financial year. Further, 20% or more of the value of the undertaking as per the audited balance sheet of the previous financial year is considered to constitute "substantially the whole of the undertaking". The Business Undertaking, by itself, generates approximately 19% of the total consolidated income of the Company as per the audited balance sheet of the financial year ended March 31, 2022. Further, given that the Fixed Term Franchise Agreement as well as the Option Agreement (which, subject to the call option exercise by Inbrew, provide for the eventual sale of the franchised brands to Inbrew) are due to take effect on the same day as the date of closing of the SSA, the Company is seeking the approval of the members by a special resolution under Section 180(1)(a) of the Act on a consolidated basis in respect of the sale, franchise and option arrangements.

The Board recommends the special resolution set forth in Item No. 4 for your approval.

None of the Directors, Key Managerial Personnel of the Company or their respective relatives are in any way, concerned or interested, financially or otherwise, in the said resolution except to the extent of their respective shareholding, if any, in the Company. Further, none of the Directors or Key Managerial Personnel of the Company are in any way, concerned or interested, financially or otherwise, in Inbrew. Inbrew does not belong to the promoter / promoter group / group companies of the Company.

A copy each of the documents referred to above is open for inspection at the Registered Office of the Company on all working days, except holidays, between 11:00 a.m. to 1:00 p.m. up to the date of the Annual General Meeting and will also be available at the meeting.

By Order of the Board

Mital Sanghvi
Company Secretary

Place : Mumbai
Date : June 22, 2022

Disclosure relating to Directors pursuant to Regulation 26(4) and 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. Randall Ingber
Age	48 years
Date of Appointment	February 02, 2017
Expertise in specific functional Areas	Legal and General Management
Experience	25 years
Brief resume	Mr. Randall Ingber is General Counsel for Asia Pacific (incl. India), Supply & Procurement and Global Litigation at Diageo. Mr. Ingber is responsible for the management of Diageo's most significant global disputes, as well as handling legal support for the company's fast growing Asia Pacific businesses and Supply and Procurement function. He has been with Diageo for over 17 years, covering market and corporate legal roles in Australia, Japan, Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines and India, in addition to head office support in the UK.
Qualifications	Mr. Ingber graduated from the University of Pennsylvania in 1995 with a major in Psychology and later received a Juris Doctorate from the University of California Hastings College of the Law in 2000.
Terms and conditions of 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 was not paid any remuneration ever since he became a director.
No. of Board meetings attended	Mr. Randall Ingber attended 7 board meetings out of 8 board meetings held in the financial year 2021-22
List of other Indian Directorships held	Nil
Chairperson/Member of the Committee of the Board of Directors of the Company	Mr. Randall Ingber is a member of Risk Management Committee of the Company (w.e.f. 1st April, 2022)
Chairperson/Member of the Committee of the Board of Directors of other companies in which he is a Director	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 23rd Report of Directors of your Company and the audited financial statements for the year ended March 31, 2022.

₹ in Million

Particulars	Standalone		Consolidated	
	2021-22	2020-21	2021-22	2020-21
The working of your Company for the year under review resulted in				
Revenue from operations	**3,07,311**	271,764	**3,10,618**	274,185
Profit / Loss from operations	**14,873**	8,697	**15,556**	9,035
Exceptional and other non-recurring	**(2,091)**	(1,514)	**(1,652)**	(643)
Less:				
Depreciation	**2,542**	2,493	**3,038**	2,991
Taxation (including deferred tax)	**2,542**	1,587	**2,760**	1,779
Profit / (Loss) after tax	**7,698**	3,103	**8,106**	3,621
Profit B/F from previous year	**(18,463)**	(21,623)	**(21,954)**	(25,840)
Reinstated Profit B/F from previous year	**(18,463)**	(21,623)	**(21,954)**	(25,840)
Minority Interest appropriation	**-**	-	**180**	217
Foreign Currency Translation Reserve Considered separately	**-**	-	**(1)**	(15)
Total Comprehensive Income	**123**	57	**124**	63
Transfer between reserves	**-**	-	**-**	-
Profit / (Loss) available for appropriation	**(10,642)**	(18,463)	**(13,544)**	(21,954)
Your Directors have made the following appropriations:				
General Reserve	**NIL**	NIL	**NIL**	NIL
Dividend paid in respect to previous years	**NIL**	NIL	**NIL**	NIL
Proposed dividend	**NIL**	NIL	**NIL**	NIL
Balance carried to the Balance Sheet	**(10,642)**	(18,463)	**(13,544)**	(21,954)
EPS-Basic & Diluted (Rupees)	**10.59**	4.27	**11.68**	5.41
Balance carried to the Balance Sheet	**(18,463)**	(21,623)	**(21,954)**	(25,840)
EPS-Basic & Diluted (Rupees)	**10.59**	4.27	**11.68**	5.41

As can be seen from the above table, the revenue from operations increased by 13.08% during the year on standalone basis and increased by 13.29% on consolidated basis. Profit after tax has increased during the year by 148.08 % on standalone basis and increased by 123.86% 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 in 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 about 79.1 million cases resulting in a volume increase of 11.9% compared to previous year. Net sales/income from operations (net of duties and taxes) of your Company increased by 18.9% in the financial year ended March 31, 2022 which stood at ₹ 93,817 million (previous year ₹ 78,890 million). Adjusting one-off sale of bulk Scotch, net sales/income from operations increased by 18.4% for the year. Sales volume of the Company's brands in the 'Prestige and Above' segment increased by 14.6% in the financial year ended March 31, 2022 which stood at 42.6 million cases (previous year 37.2 million cases). Net sales of the 'Prestige and Above' segment increased by 23.6% which stood at ₹ 68,050 million net of duties and taxes (previous year ₹ 55,035 million). The 'Prestige and Above' segment represented 72.5% of total net sales and 53.9% of total sale volume during the year.

2. Board's responses to observations, qualifications and adverse remarks in auditor's report

The statutory and secretarial auditors have given unqualified opinion on the financial statements and in the secretarial audit report for the year ended March 31, 2022 and hence this is not applicable.

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

There are no material changes and commitments/events subsequent to the date of financial statements. Management has determined that COVID-19 is not likely to materially impact the future operations of the Company considering a large section of the population has been vaccinated and based on Company's own past experience with the pandemic,. The Company continues to maintain a positive outlook for the next financial year and will continue to monitor changes in future economic conditions.

4. 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.

5. Dividend

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

6. Transfer to reserve

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

7. Capital

The authorized share capital of your Company remains unchanged at 2,740,000,000 equity shares of ₹ 2/- each and 171,200,000 preference shares of ₹ 10/- each. The issued, subscribed and paid-up capital of the Company is 726,638,715 equity shares of ₹ 2/- each aggerating ₹ 1,453,277,430. There was no change in the issued, subscribed and paid-up capital of the Company during the year under review.

8. 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**. The Company has 13 subsidiary companies. Out of 13 subsidiary companies, 12 subsidiary companies are non-operative.

As mentioned in the Annual Report of 2020-21, during the year, Montrose International (S.A.), Panama, a wholly owned overseas subsidiary of your Company was liquidated effective April 16, 2021 and thus ceased to be a subsidiary.

During the year, Hip Bar Private Limited ceased to be an associate company of your Company. On 3rd August 2021, a share purchase agreement has been executed with Hip Bar Private Limited for sale of the entire stake of the Company [Equity Shares (4,567,568 Nos.) and Compulsory Convertible Preference Shares (1,950,000 Nos.) in Hip Bar Private Limited for INR 5.2 million. Amount received on account of disposal amounting to INR 5.2 million has been presented as gain on disposal of associate under Exceptional item. Pursuant to the sale, the Company has also received all rights, title, and interest in the trademarks 'CloudBar' and 'BarOnTheCloud' from Hip Bar Private Limited, which have been valued at INR Nil

Highlights

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 (the "Scheme") 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. Upon completion of the merger, the non-promoter shareholders of PDL will 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 the record date. Post the merger, the Company's issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the holding Company, a subsidiary of Diageo PLC) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities and the respective shareholders and

Report of the Directors (Continued)

creditors of PDL and of the Company. The BSE Limited and the National Stock Exchange of India Limited have issued their no-objection to the draft scheme and related documents filed, vide observation letters dated October 21, 2020 and October 22, 2020, respectively. The Company jointly with PDL have filed application under Sections 230 to 232 of the Companies Act, 2013 on November 27, 2020 with the National Company Law Tribunal, Bangalore ("NCLT") and again an Interlocutory Application was filed before NCLT on April 07, 2021. Based on the order of the NCLT received on August 18, 2021, the Company and PDL convened meetings of their respective equity shareholders, and the Company also convened a meeting of its unsecured creditors, on September 30, 2021. The Scheme was approved with requisite majority at these meetings. Subsequently, a joint petition to sanction the Scheme has been filed by USL and PDL with the NCLT on October 02, 2021. Company's petition was heard by the NCLT on January 12, 2022. Next hearing is scheduled for May 27, 2022.

Royal Challengers Sports Private Limited (RCSPL), a wholly owned subsidiary of your Company, reported a revenue from operations of ₹ 2916 million during the year which was mainly attributed to the increase in central rights income from Board of Cricket Control of India (BCCI) and as a result of Royal Challengers Bangalore, a franchisee team of Indian Premier League (IPL), securing fourth position in the IPL Season 2021 similar to season 2020. RCSPL also accounted a profit of 661 million with an increase of 119 million during the year.

The Company's policy for determining material subsidiaries is available at the Company's website at https://www.diageoindia.com/investors/shareholder-centre/policies/policy-for-determining-material-subsidiaries/

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/investors/subsidiaries-financial/.

9. Prospects/Outlook

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

10. Appointment/reappointment and resignation/ retirement/step down of Executive Directors and Key Managerial Personnel during the financial year:

A. i) Step down of Mr. Anand Kripalu as Managing Director and Chief Executive Officer (MD & CEO)& appointment of Ms. Hina Nagarajan as Managing Director and Chief Executive Officer – Key Managerial Personnel (KMP)

As already updated in the annual report for the year ended 2020-21, The Board at its meeting held on December 10, 2020 approved the appointment of Ms. Hina Nagarajan as an Additional Director and MD & CEO with effect from July 01, 2021 in the place of Mr. Anand Kripalu, erstwhile MD & CEO who stepped down as MD & CEO effective end of day June 30, 2021.

ii) Resignation of Mr. Vinod Rao as director of the Company

Mr. Vinod Rao, Director of the Company, resigned as a non-executive director of the Company effective from end of day December 15, 2021 and the Board noted the same.

iii) Appointment of Mr. Mark Dominic Sandys

Mr. Mark Dominic Sandys was appointed as a Director of the Company with effect from April 01, 2022.

Apart from the aforesaid appointment, there was no appointment of executive director during the year.

iv) Re-appointment of Mr. Randall Ingber

As per the provisions of the Companies Act, 2013, Mr. Randall Ingber (Mr. Ingber) retires by rotation at the ensuing annual general meeting (AGM) and being eligible, offered himself for re-appointment.

Members may please note that Mr. Ingber, who was appointed as a director at the 21st AGM held on August 26, 2020. Mr. Ingber is not debarred from holding the directorship under any statutory regulations. Details about Mr. Ingber is provided in the Notice of the 23rd annual general meeting of the Company.

B. Independent Directors

Your Company did not appoint any new Independent Director in the financial year 2021-22. 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.

Report of the Directors (Continued)

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 2021-22 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 Committee (Committee was renamed as "Corporate Social Responsibility and Environmental, Social and Governance Committee" w.e.f. April 1, 2022)

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 to be maintained by the Company under the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations and the same are uploaded on the website of the Company wherever required and the salient features of the policies are detailed in Corporate Governance Report.

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 2021-22 is provided in the Corporate Governance Report. The Company has also prepared a draft annual return in revised e-form MGT-7 for FY 2021-22 and uploaded the same on Company's website at https://www.diageoindia.com/investors/financials/annual-and-financial-reports/annual-return-2021-22/. 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').

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 accordance with the travel policy for directors. 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 through Postal Ballot Resolution effective January 18, 2019. 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 2021-22.

The criteria for payment of remuneration to executive directors is determined by the Nomination and Remuneration Committee based on various criteria including performance criteria. Remuneration Policy is available on the Company's website at https://www.diageoindia.com/investors/shareholder-centre/policies/remuneration-reward-policy/.

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

Report of the Directors (Continued)

& mix of Board members, discharging of their duties and 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 Director 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. 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/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. During the year, we have introduced QR code to facilitate the access to SpeakUp channel.

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.

K. 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/investors/shareholder-centre/policies/policy-on-related-party-transactions/.

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.

L. 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 20, 2021 and October 26, 2021.

11. 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

Report of the Directors (Continued)

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.

ii) **Secretarial audit**

Pursuant to section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a 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 addition, Pursuant to Regulation 24A of the SEBI (LODR) Regulation, the Secretarial Compliance Report for the financial year ended March 31, 2022, 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://www.diageoindia.com/investors/shareholder-centre/notice-board/annual-secretarial-compliance-report-2022/

iii) **Cost audit**

The Company is not covered by the requirement of maintenance of cost records, as specified under sub-section (1) of section 148 of the Companies Act, 2013.

12. 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.

13. Corporate governance

A Corporate Governance Report is annexed separately as part of this Report. Board confirms compliance with Secretarial Standards.

14. Management discussion and analysis report

The Management Discussion and Analysis Report is annexed separately as part of this Report.

15. 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. Fixed Deposits from the public and shareholders which remained unclaimed and for which no discharge certificates were received from the depositors as on March 31, 2022 stood at ₹ 10,98,000. Unclaimed amount was transferred into a separate non-interest bearing escrow account opened specifically for the purpose of re-payment pursuant to the provisions of the Companies Act, 2013 and the rules made thereunder. Out of this amount, a sum of ₹ 4,40,000/- has since been paid as per instructions received after the year end and balance unclaimed amount as of May 27, 2022 is ₹ 6,58,000/-.

16. Annual return

The draft Annual Return of the Company as on March 31, 2022 in E-Form MGT - 7 in accordance with section 92(3) of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, is available on the website of the Company at https://www.diageoindia.com/investors/financials/annual-and-financial-reports/annual-return-2021-22/

17. 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 owing to accumulated losses. Hence, there are no unclaimed/unpaid dividends from financial year 2013-14 onwards.

No shares were transferred during the year ended March 31, 2022 to Investor Education and Protection Fund pursuant to section 124(6) of the Companies Act, 2013.

Report of the Directors (Continued)

ii) **Fixed Deposits**:

1.	Accepted during the year	NIL
2.	Remained unpaid or unclaimed as at the end of the year	10,98,000
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.

18. 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.

19. Employees stock option scheme

Your Company has not offered any stock options to its employees during the year 2021-22 within the meaning of SEBI (Share Based Employee Benefit) Regulations, 2014.

20. 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, 2022. The Company has not given any guarantee to any Company as on March 31, 2022.

21. Risk management

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

22. Internal financial controls

During the year 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) & 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 auditors on internal financial control forms part of the audit report. A statement to this effect is also appearing in the Directors' Responsibility Statement.

23. Corporate social responsibility

Information on the composition of the Corporate Social Responsibility (CSR) Committee 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.

24. 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.

25. 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, 2022 and as note no. 40 of the consolidated financial statements for the year ended March 31, 2022.

Report of the Directors (Continued)

26. 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 as per the requirement. Maintaining the highest governance norms, each Internal Committee has appointed members who are employees of the Company and an independent external member, having extensive experience in the field. The ICs meet on a half yearly basis to discuss matters on policy awareness, best practices, judicial trends, etc. During the year, ICs 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 IC 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: 1 (One) complaint received

ii) Number of complaints disposed of during the financial year: NIL

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 newsletter, emailers, posters, conducting online training module 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.

27. Business Responsibility Report (BRR)

In accordance with the SEBI (LODR) Regulations, 2015, the BRR has been placed on the Company's website at https://www.diageoindia.com/investors/financials/annual-and-financial-reports/business-responsibility-report-2021-22/

28. 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.

29. 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 year 2021-22, the Board of Directors report that:

(i) in the preparation of the annual accounts for the financial year ended March 31, 2022, 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, 2022 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;

Report of the Directors (Continued)

(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 27, 2022

Management Discussion and Analysis

A. ECONOMIC SCENARIO

Global economy: The war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution. Global growth is expected to slow significantly in 2022, largely as a consequence of the war in Ukraine. The economic costs of war are expected to spread farther afield through commodity markets, trade, and—to a lesser extent—financial interlinkages. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest.

Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than projected in January. Beyond 2023, global growth is forecast to decline to about 3.3 percent over the medium term.

War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies—1.8 and 2.8 percentage points higher than projected last January. Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic are essential.

(Source: IMF Global Economic Outlook, Apr.'22)

Indian economy:

Indian economy estimated to grow by 8.7 percent in real terms in 2021-22 subsequent to a contraction of 7.3 percent in 2020-21. GDP projected to grow by 8- 8.2 percent in real terms in 2022-23. As per IMF's latest World Economic Outlook projections, India's real GDP projected to grow at 8.2 percent in 2021-22 and 2022-23 and at 6.9 percent in 2023-2024, which would make India the fastest growing major economy in the world for all 3 years.

Agriculture and allied sectors expected to grow by 3.9 percent; industry by 11.8 percent and services sector by 8.2 percent in 2021-22.

On demand side, consumption estimated to grow by 7.0 percent, Gross Fixed Capital Formation (GFCF) by 15 percent, exports by 16.5 percent and imports by 29.4 percent in 2021-22. Combination of high foreign exchange reserves sustained foreign direct investment, and rising export earnings will provide adequate buffer against possible global liquidity tapering in 2022-23. India's merchandise exports and imports rebounded strongly and surpassed pre-COVID levels during the current financial year. Economic impact of "second wave" was much smaller than that during the full lockdown phase in 2020-21, though health impact was more severe.

Government of India's unique response comprised of safety-nets to cushion the impact on vulnerable sections of society and the business sector, significant increase in capital expenditure to spur growth and supply side reforms for a sustained long-term expansion. Large public infrastructure investments planned over the next two years will encourage more private investment. Private consumption will pick up as labour market conditions improve.

The Macroeconomic stability indicators originally suggest that the Indian Economy is well placed to take on the challenges of 2022-23. The economic growth in the coming years will be supported by increased public investment in infrastructure and a pickup in private investment. The outlook assumes sustained progress in COVID-19 vaccinations while also that any new variants of the virus would be of limited severity.

(Source : https://www.ibef.org/economy/economic-survey-2021-22)

However, the economic growth may suffer as fallout from Russia's invasion of Ukraine has significantly altered the global economic backdrop through three main channels -- spike in commodities prices, risks to global economy from financial and business disruption and dent in sentiment due to heightened geopolitical risks.

India is particularly vulnerable to high oil prices, given that it is a large importer of crude oil. Because India is a surplus producer of grain, agricultural exports will benefit in the short-term from high prevailing prices. High fuel and potentially fertilizer costs would weigh on government finances down the road, potentially limiting planned capital spending.

Foreign direct investment inflow is expected to moderate amid rising global uncertainty and tightening of global economic and financial conditions.

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, coupled with 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.

Management Discussion and Analysis (Continued)

The outlook for the Indian alcoholic beverages continues to remain positive due to 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. Increased consumption of liquor in rural areas will be another major reason for the growth in the market.

Although the average per adult intake of alcohol is 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. PERFORMANCE INDIAN SPIRITS MARKET OVERVIEW

Industry performance: The Indian spirits industry has been growing at more than 12% CAGR for the decade starting 2001 making it one of the fastest growing markets in the World. A slowdown of economy in 2019 followed by Covid-19 virus outbreak in 2020 & 2021 had an adverse impact on consumption in India.

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. The IMFL category accounts for almost 72% of the market.

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: In 2020, Government in the State of Andhra Pradesh has changed the route to market by setting up state managed retail outlets and discontinuing private retailers. In contrast, State of Chhattisgarh has rolled back from Govt controlled to private parties which is expected to flourish the industry.

During the year, there has been change in route to market in Delhi. States like Maharashtra and West Bengal reduced the prices of imported liquor by slashing liquor levies. Maharashtra government has recently decided to upgrade the liquor as browsable outlets of other cities such as Gurgaon, Hyderabad, and Kolkata, provide a superior consumer experience.

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, favorable demographics with a median age of 27.9 years 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. States like Tamil Nadu and Karnataka have banned the sale of country liquor primarily on account of rising death toll due to 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 traveling 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.

Post the covid outbreak, most of the states experienced lockdown which created stress in the economy. As an outcome of the same, there were additional taxes/levies in some of the States leading to consumer price increase. Later many States

Management Discussion and Analysis (Continued)

had withdrawn the Covid cess imposed in FY21. However, 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. During the year, company secured pricing in only select states across India.

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 80 brands of Scotch whisky, IMFL whisky, brandy, rum, vodka, and gin. 11 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 79 million cases. McDowell's No.1, Royal Challenge, Signature, Antiquity, Black Dog, Director's Special Black, McDowell's Rum, McDowell's Brandy, Bagpiper, Old Tavern, Haywards 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 consumer is superior in the industry with almost 1 in every 2 branded spirits bottles being sold in India in the Company's P&A portfolio.

Diageo plc holds 55.94% 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, it has been working on following three pillars:

1. Portfolio re-shape
   a. Breakout growth on P&A: Accelerate in Luxury & premium, strengthen play in Upper Prestige, Reshape value proposition in Lower & Mid Prestige
   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 9 brands in its portfolio which sell more than a million cases every year, of which 1 brand sell more than 25 million cases each annually. The Company's exports business is also growing.

Your Company boasts of pan-India manufacturing presence with +47 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, 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 over about 3,200 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 tailwinds. Gender diversity of about 15% has been

Management Discussion and Analysis (Continued)

achieved and the industrial relations during the year were cordial. There have been no material developments in Human Resource during the year.

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 offering during the year was aligned with strong consumer trends. 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.

Johnnie Walker took the lead in revibing the afterhours that our consumers so missed through the first two waves of being at home. "Revibe The Night" was our biggest cultural play on JW to recruit young adults. Our on-ground presence on the India-South Africa series was unmissable and placed Johnnie Walker top of mind with every cricket fan in India.

The year witnessed the coming together of two icons as Keira Knightley embraced the Art of Pausing with the all-new Black Dog in a brand-new campaign. The Black Dog renovation was a complete brand transformation and a bold bet that has taken the market by storm with consumers and customers vehemently adoring this modern and contemporary look of their beloved brand. We also launched first-ever 14-yr old, aged variant, supported by a new brand identity, reflective in the brand's packaging and retail assets.

We collaborated with world renowned MasterChef Heston Blumenthal to bring alive the magic of sharing Black & White. Black & White has been growing at a consistent pace disproportionately recruiting young adults into scotch. The scaleup of Hipster helped B&W recruit faster in boom towns and the pack has added to the cool and casual image of Black & White as well.

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 has landed very well with consumers, reflecting the growing appreciation for brands building sustainability into their actions.

Our new American Bourbon based IMFL whiskey Royal Challenge American Pride is performing well in most of the launch markets. Renovated bundle of Royal Challenge launched with hyperlocal communication and refreshed retail visibility in Delhi was well received by consumers. A new variant of Royal Challenge was launched in Telangana and Maharashtra.

We expanded its focus on premiumization and building a more sustainable, responsible business with the launch of Godawan, its first single malt innovation to create liquid experiences that reflect the ethos of global native, mindful luxury seekers. We also introduced Epitome Reserve, first artisanal, small batch, craft whisky which received brilliant reviews from whisky connoisseurs.

McDowell's continues to build on the consumer momentum driven by the renovation done in F21.

Investment in NAO spirits now provide an exciting opportunity to participate in the premium Indian craft gin segment, where the company did not have a play. This investment therefore complements our world class premium & luxury gin portfolio play with Gordon's and Tanqueray respectively.

During the financial year ended March 31, 2022, 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. Similarly complete loan repayment and reduction in cost of debt led to interest cost savings. Your Company successfully invested these savings in future growth.

2. Be an organization of future

We launched 'In.thebar.com', our digital platform to drive focused consumer engagement and celebrations. We develop campaign pages to drive digital traffic to the website. This platform is an integration of World Class Campaign to bring together bartender community and give access to consumers to live streaming of the

Management Discussion and Analysis (Continued)

event. We also launched Trade Promotion Management platform to ensure stronger, robust & tech-based solution which enables our front-line team in managing spends basis 'Pay for Performance". The in-sourcing of Sales and operations planning (S&OP) has been supported by rollout of the O9 platform, bringing automation and technology enablement to the function.

Diageo India Marketing Academy was launched with focus on consumer insights, digital, creative agility, and omni channel experiences keeping Brands and Consumers at the core.

Our multiple technology adoptions lead to simplifying life of our employees & our eco-system which in turn enables your company to be nimble and agile. We improved our efficiency levels and made significant progress in our Radical Liberation Sprint endeavor.

We are confident in the quality of our leadership and are making targeted interventions to build the right talent for today & tomorrow. We have established a robust process for calibration and validation of talent across levels to drive consistently high standards and build robust succession plans for critical roles. We are also helping our people to upskill and learn through LinkedIn Learning. In addition, we have sponsored a customized learning platform MyLearning Hub.

3. Diageo in Society

Your Company is committed to building a more sustainable, responsible, and inclusive business and society. The issues facing society are complex and connected and we are focused on 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.

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, B&W, Black Dog Scotch, McDowell's no 1 and Signature, all have women at the heart of their comms work, owning the stories we tell. 'Free the bid' is another program we've been championing over the past few years, aimed at having more bids by female creatives, producers and directors for our creative briefs and content production.

Our recent launches were sustainable by design. Godawan aims to preserve ecology with a specific focus on water and biodiversity conservation. We are working with the Govt, Panchayat and community to restore natural water resources. New Packaging of Signature relaunch was leveraging recycled materials glass and paper/ cartons.

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.

We had also launched vaccination Programme for bar staff of 1,500 outlets to receive both doses and ~22k bar staff were vaccinated.

G. BUSINESS REVIEW – REVENUE AND REVENUE MIX

Your Company continued its journey of premiumization by improving the mix of P&A salience to ~72% in F22. F22 remained a challenging year for the industry with sliding consumer confidence index. 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 improve organic operating margin to mid-high teens. 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 ideals 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 72.3% of net sales are the core focus of your Company, wherein it has laid emphasis on renovation to keep pace with evolving consumer tastes. 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 has maximized value gains in the Popular segment as well.

Management Discussion and Analysis (Continued)

During the year under review, your Company achieved a sales volume of 79.14 million cases as against 70.71 million cases in the previous year resulting in increase in volume by ~11.9%. Your Company's net sales revenue stood at about ₹ 94,055 million in the financial year ended March 31,2022, as against about ₹78,892 million in the previous year. This translates to increase of 19.2% over previous year.

With continuous focused on premiumization, overall Prestige & Above segment represented 53.9% of total volumes (Vs 52.6% previous year) and ~ 72.3% of total net sales (Vs 69.8% previous year) during the financial year ended March 31, 2022. The Prestige and Above segment's net sales were up 23.6% with strong double-digit growth in our scotch portfolio.

The Popular segment represented 46.1% (Vs 47.4% previous year) of total volumes and ~ 26.2% (Vs 28.8% previous year) of total net sales during the financial year ended March 31,2022. The Popular segment's net sales increased by 8.3% during the financial year ended March 2022 Vs 17.7% decline during last year.

H. NET DEBTS

Your Company had zero debt as on March 31, 2022. Your Company used profit from operations to repay its loans amounting to 556 Crores.

Significant improvement in your Company's overall financial flexibility, corporate governance and compliance framework has led to further improvement in our credit rating. Healthy operating cash flow has enabled us to reach debt free status as on Dec.31st 2021. CRISIL upgraded its rating on United Spirits Limited's long-term bank facilities to 'AAA / Stable' while reaffirming its 'A1+' rating on the short-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. Your Company's move on focus towards the franchisee model in the Popular segment with successful implementation in 13 states had been well received and a further strategic review has been initiated. 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.
- While the threat from the COVID-19 pandemic is still looming, the continuation of Russia-Ukraine conflict is posing a significant challenge to global recovery.
- Rising international commodity prices is the biggest risk emanating from the ongoing conflict as Russia and Ukraine are global suppliers of key commodities. With India being a net importer to meet its energy requirements, the sharp rise in crude prices represents a significant shock to India's macro-economic framework.
- Another concern emerges from the dependence on state governments to get price increases. 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.
- 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.

Management Discussion and Analysis (Continued)

- The conclusion of strategic review of selected Popular brands is a strategic move to Reshape our 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 in the Prestige and Above segment 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 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, and 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.

COVID-19 has set forth challenges in the operation and performance of certain controls which required physical presence of employees for control operation. The management has successfully overcome these challenges by adopting to alternate and supplementary procedures warranting the effective and efficient functioning of the controls. 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. COVID-19 ASSESSMENT

As more than 70% of Indians were infected with Delta during the second wave and India has vaccinated 95% of eligible population, at least with one dose, so close to three-fourths of India's population has hybrid immunity. This hybrid immunity wall is the reason India had a relatively minor third wave.

Your company's operations at all of its manufacturing, warehousing and office locations were not impacted by Omicron variant. Operations continued with adequate precautions being taken in accordance with Government guidelines. With the food and the hospitality industry facing downside risk due to restricted timelines and night curfews during January'22, on-premises businesses suffered for a brief period. Company had reviewed its contracts/ arrangements and does not expect any material impact on account of non-fulfilment of the obligations by any party. Your company has a prudent liquidity risk management policy for maintenance of required cash and / or has access to funds through adequate unutilized sanctioned borrowing limits from banks and is confident of servicing its operations.

Perturbed over the rise in fresh COVID-19 infections in India, the central government has reached out to the states contributing the most to the daily national tally, to follow a risk assessment-based approach on the opening of economic and social activities. Amid recent surging Covid-19 cases in the country, your Company will apply its past year(s) learning experience to mitigate impact of any localized lockdowns and/or supply chain disruption. The company is well prepared to manage any sudden local lockdown and resultant uncertainties, if any.

O. KEY FINANCIAL AND OTHER RATIOS

Key financial ratios arising from the financials as given below for the financial year ended March 31, 2022, and March 31, 2021 (Fig in ₹ Crores)

Management Discussion and Analysis (Continued)

	Particulars	31-Mar-22	31-Mar-21
(i)	**Key Financial Numbers (Standalone financial statements)**		
	Share Capital	145	145
	Reserves & Surplus	4,756	3,982
	Total Equity (Net worth)	**4,902**	**4,127**
	Gross Debt (excludes accrued interest and lease liability)	-	556
	PAT	770	310
	Share Price (INR Rupees)	888	556
	Other Income	42	48
	Total Revenue	30,731	27,176
	Total Expenses	29,540	26,604
	Less: Depreciation	-254	-249
	Less: Finance Cost	-65	-166
	Expenses	29,220	26,189
	EBIDTA	**1,511**	**988**
	EBIT	**1,298**	**786**
(ii)	Inventory	2,077	1,981
	Receivables	2,302	2,160
	Payables	(1,505)	(1,381)
	Net Working Capital	**2,874**	**2,760**
	Debtors Turnover Ratio		
	Average Receivables	2,231	2,222
	Revenue from Operations	30,731	27,176
	Debtors Turnover	**13.8**	**12.2**
	Debtors Turnover (in days)	**26**	**30**
(iii)	**Payable Turnover Ratio**		
	Average Payables	1,443	1,276
	Cost of goods sold, advertisement and sales promotion, other expenses	7,250	6,313
	Payable Turnover	**5.0**	**4.9**
	Payable Turnover (in days)	**73**	**74**
(iv)	**Inventory Turnover Ratio**		
	Average Inventory	2,029	1,909
	COGS and Excise Duty	26,640	23,755
	Inventory Turnover	**13.1**	**12.4**
	Inventory Turnover (in days)	**28**	**29**
(v)	**Interest Coverage Ratio #**		
	Interest	65	166
	EBIDTA	1,511	988
	Interest Cover	**23.3**	**6.0**
	Interest	65	166
	EBIT	1,298	786
	Interest Cover	**20.0**	**4.7**

	Particulars	31-Mar-22	31-Mar-21
(vi)	**Return of Capital Employed Ratio**		
	EBIT	1,298	786
	Capital Employed (Including lease liabilities)	5,165	4,840
	Return on Capital Employed	**25%**	**16%**
(vii)	**Net Profit Margin Ratio**		
	PAT	770	310
	NSV	9,382	7,889
	Net profit Margin (PAT/NSV)	**8.2%**	**3.9%**
(viii)	**Operating Margin Ratio**		
	EBIT	1,298	786
	NSV	9,382	7,889
	Operating Margin (EBIT/NSV)	**13.8%**	**10%**
(ix)	**Current Ratio**		
	Current Assets	5,147	4,799
	Current Liabilities	3,366	3,914
	Current Ratio	**1.53**	**1.23**

Summary of Key Ratios

Leverage Ratios

Particulars	F22	F21
Debt-Equity Ratio	**0.05**	**0.16**
Interest Cover	**23.3**	**6**

Valuation Ratios

EPS	**10.59**	**4.27**
P/E Ratio	**84x**	**130x**
PROFITABILITY RATIOS		
Return on Equity	**17%**	**8%**
Return on Capital Employed	**25%**	**16%**
LIQUIDITY RATIOS		
Inventory Turnover Ratio	**28**	**29**
Receivable Turnover Ratio	**26**	**30**
Payable Turnover Ratio	**73**	**74**

-Debt Equity and Interest coverage ratio has shown improvement during the financial year 2021-22 due to repayment of all the outstanding loans.

Management Discussion and Analysis (Continued)

- Valuation ratios are also improved due to EPS improvement post Covid impact reflects increasing profitability of the company and recovery. Currently, the P/E ratio has improved largely due to improvement in share price.

- Profitability ratios are also improved as ROE improvement is on the back of PAT performance and ROCE has improved post Covid impact.

- Turnover ratios viz., Inventory Turnover Ratio, Receivable Turnover Ratio, and Payable Turnover Ratio have improved during the current year on account of business momentum coupled with effective working capital management.

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, 2022 salient features of the financial statement of subsidiaries/associate companies/joint ventures)

Part A: Subsidiaries

Sl. No.	Name of the Subsidiary	Currency	Closing exch 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	75.93	74.51	380	-1,211	18	849	-	-	32	-	32	32	-	100	Mauritius
2	Palmer Investment Group Limited (PIG)	USD	75.93	74.51	1,139	-1,102	38	2	-	-	-3	-	-3	-3	-	100	British Virgin Islands
3	Shaw Wallace Overseas Limited (SWOL)	GBP	99.47	101.34	36	-17	19	1	-	-	-0	-0	-0	-0	-	100	U.K.
4	USL Holdings Limited (UHL)	USD	75.93	75.77	58,212	-64,575	35	6,398	-	-	-1	-	-1	-1	-	100	British Virgin Islands
5	USL Holdings (UK) Limited (UHUKL)	GBP	99.47	101.34	0	-64,688	10	64,698	0	-	-3,341	-	-3,341	-3,341	-	100	U.K.
6	United Spirits (UK) Limited (USUKL)	GBP	99.47	101.34	0	-26,168	6	26,174	0	-	-4	-	-4	-4	-	100	U.K.
7	United Spirits (Great Britain) Limited (USGBL)	GBP	99.47	101.34	0	-26,140	6	26,146	-	-	-1	-	-1	-1	-	100	U.K.
8	McDowell & Co. (Scotland) Limited (MSL)	GBP	99.47	101.34	157	-26	136	6	-	-	1	-	1	1	-	100	Scotland
9	Royal Challengers Sports Private Limited	INR	-	-	0	2,152	4,787	2,635	-	2,916	881	220	661	661		100	India
10	United Spirits (Shanghai) Trading Company Limited	RMB	11.96	11.66	60	-81	0	22	-	-	1	-	1	1	-	100	China
11	Sovereign Distilleries Limited	INR	-	-	4,999	-4,761	254	17	-	-	-53	-	-53	-53	-	100	India
12	Pioneer Distilleries Limited	INR	-	-	134	-3,632	3,747	7,245	-	2,117	-720	-	-720	-719	-	75	India
13	United Spirits Singapore Trading Pte Ltd. (Formerly known as Whyte and Mackay Singapore Pte Ltd.)	USD	75.93	74.51	0	-2	14	15	-	-	-	-	-	-	-	100	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 INR million.
2. All the subsidiaries have 31 March 2022 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

The Company does not have any Investment in associates and joint ventures as at 31st March 2022.

Hip Bar Private Limited ceased to be an associate effective 3rd August 2021.

On March 12, 2022, the company announced strategic investment in Nao Spirits & Beverages Private Limited ("Nao Spirits"). On April 29, 2022, the company completed the acquisition by investing INR 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. The Company has a call option to acquire remaining shares held by the other shareholders of Nao Spirits at a pre-determined valuation methodology.

Mahendra Kumar Sharma
Chairman
DIN: 00327684
Place: Mumbai

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

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer
Place: Bengaluru

Mital Sanghvi
Company Secretary
Place: Bengaluru

Date: May 27, 2022

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, 2022.

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, 2022.

By Order of the Board

Mahendra Kumar Sharma
Chairman
DIN : 00327684

Place : Mumbai
Date : May 27, 2022

Annexure-3

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON MARCH 31, 2022

[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, 2022, 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, 2022, 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 Debt Securities) Regulations, 2008 (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;

   (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.

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.

I further report that during the audit period there were no specific actions having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040,C.P.No.: 6137
Peer Review Certificate No. 607/2019
UDIN: F006040D000388059

Place:Bangalore
Date: May 27, 2022

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 and C P No.: 6137
Peer Review Certificate No. 607/2019
UDIN: F006040D000388059

Place: Bangalore
Date: May 27, 2022

Annexure-3A

SECRETARIAL COMPLIANCE REPORT OF UNITED SPIRITS LIMITED (CIN:L01551KA1999PLC024991)FOR THE YEAR ENDED MARCH 31, 2022.

I Sudhir Vishnupant 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, 2022("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) 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) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008(No instances for compliance requirements during the year);

(g) Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations,2013(No instances for compliance requirements during the year)

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

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

(j) Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 and circulars/ guidelines issued thereunder; and based on the above examination, I hereby report that, during the Review Period

  (a) The listed entity has complied with the provisions of the above Regulations and circulars/ guidelines issued thereunder.

  (b) The listed entity has maintained proper records under the provisions of the above Regulations and circulars/ guidelines issued thereunder insofar as it appears from my examination of those records.

  (c) No action was taken against the listed entity/ its promoters/ directors/ material subsidiaries either by SEBI or by Stock Exchanges (including under the Standard Operating Procedures issued by SEBI through various circulars) under the aforesaid Acts/ Regulations and circulars/ guidelines issued thereunder.

  (d) Since there were no observations in previous year report the listed entity was not required to take any actionof compliance on observations of previous reports.

SUDHIR VISHNUPANT HULYALKAR
Company Secretary in Practice
FCS No.: 6040,C.P.No. : 6137
Peer Review Certificate No. 607/2019
UDIN:F006040D000388125

Place: Bangalore
Date: May 27, 2022

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]

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year;

The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

Name of the Directors/KMP	Designation	Ratio to the Median	Percentage Increase
Anand Kripalu (Up to June 30, 2021)	Managing Director & Chief Executive Officer	NA	NA*
Hina Nagarajan (w.e.f July 01, 2021)	Managing Director & Chief Executive Officer	NA	NA*
Pradeep Jain	Chief Financial Officer	67	6%
Mital Sanghvi	Vice-President - Company Secretary and Ventures Finance	28	37%
Mahendra Kumar Sharma	Independent Non-Executive Chairman	11:1	-1%**
V K Viswanathan	Independent Non-Executive Director	10:1	1%**
D Sivanandhan	Independent Non-Executive Director	11:1	2%**
Indu Shahani	Independent Non-Executive Director	11:1	2%**
Rajeev Gupta	Independent Non-Executive Director	9:1	2%**

* The remuneration paid to Mr. Anand Kripalu and Ms. Hina Nagarajan is for part of the year. Accordingly, the percentage increase/decrease in their remuneration and ratio of remuneration to median remuneration is not reported.

**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.

(ii)	The percentage increase in the median remuneration of employees in the financial year;	The average increase in remuneration in the Financial Year 2021-22 compared to the median remuneration of employees in the previous year is 1.53 **%.**
(iii)	The number of permanent employees on the rolls of Company;	The Company had a permanent headcount of **3,145** on the rolls as of March 31, 2022.
(iv)	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;	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 25% while the change in the key managerial average remuneration was 176%. This increase is on account of performance-based pay; there was no pay-out of performance-based pay in the previous year. The increase in the key managerial average remuneration was attributed to annual salary increase, earnings from exercised long-term incentives (stock) and pay-out of performance-based pay (there was no pay-out of performance-based pay in the previous year.). This is also due to some KMPs being present only for part of the year in current and previous financial year.
(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 27, 2022

Annexure-4 (Continued)

Particulars of Employees

Information as required under Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and forming part of the Director's Report for the financial year ended March 31, 2022.

A. Employees employed for full year

Sl. No.	Employee Name	Age as of March 31, 2022	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
1.	Aarif Aziz	47	-	6,24,27,071	Chief Human Resources Officer	PGDM, BE	23	01-01-2019	GE gas power, Global HR Head
2.	Abanti Sankaranarayanan	53	-	6,65,26,346	Chief Strategy & Corporate Affairs Officer	PGDBA	29	01-05-2015	Managing Director - India, Diageo India Pvt. Ltd.
3.	Abhishek Shahabadi	44	-	1,71,67,565	Vice President and Portfolio Head, Marketing	B.Com., PGDM-C	22	23-02-2006	Group Head, Madison Communications
4.	Amrut Aiyamma	49	-	1,63,40,962	VP - Human Resources	MSW, Mangalore University	26	02-05-2019	Dover Corporation India
5.	Anant Swarup	46	-	1,21,12,469	Senior General Manager – Sales	PGDBM – Marketing – IMT - Gaziabad	18	11-07.-2016	Tata Docomo – Sales & Distribution Head.
6.	Anchal Kaushal	43	-	1,00,22,934	Senior General Manager – Customer Marketing	MBA – B.com	15	04-04-2019	Jagajit Industries Limited – Associate Director – Marketing
7.	Anshu Vazirani	39	-	1,48,43,062	Vice President – Corporate Real estate Services	PGDM – M Tech	15	12-06-2017	GEP (Global E-Procure) – Director
8.	Arun Goyal	52	-	1,33,97,963	Asst Vice-President - Manaufacturing	MS, BE	30	21-02-2011	Sika IND – Head, Project & Engineering
9.	Arvind Bangalore Sainath	42	-	1,02,68,632	General Manager – Consumer Planning & Insights	BE/PGDM	18	07-12-2017	Cogitaas AVA – AVP & Client Partner
10.	Ashok Arora	44	50	1,10,13,736	Vice President – Treasury	Chartered Accountant	22	02-11-2004	Greenfield Online Private Limited – Finance Manager
11.	Avinash Deoskar	47	500	1,77,09,371	Vice President & Sales Head, East	PGDM – 1999, SIMS	22	18-08-2016	Pernod Ricard – Region Head
12.	Chetan Gupta	43	-	1,14,93,214	Senior General Manager - Sales	MBA, M.Com	12	30-03-2015	Allied Blenders and Distilleries
13.	Debasis Choudhuri	57	-	1,02,96,115	Senior General Manager – Finance Transformation	ICWA	27	10-01-1997	Wincome Textile Industries Limited – Asst Manager (MIS)
14.	Deepika Warrier	53	-	3,94,55,200	Chief Marketing Officer – India	PGDM	28	27-07-2020	CEO/MD – Pepsico – Tata JV (Nourishco Beverages)

Annexure-4 (Continued)

Sl. No.	Employee Name	Age as of March 31, 2022	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
15.	Glen A L D Souza	51	-	1,35,60,149	Senior General Manager – HR Business Partner	LLB	24	01-04-2020	GE – Senior Manager, HRBP
16.	Gopal Kothari	45	-	1,20,22,851	Vice – President, Supply Finance	CA, ICWAI	18	01-07-2015	Diageo India Private Limited – Finance Controller
17.	Gopal Singh Rana	43	15	1,10,82,081	Senior General Manager – Commercial Finance	Chartered Accountant	15	12-12-2016	Price Water House Coopers Private Limited – Director, Advisory
18.	Gowri Advani	42	-	1,12,77,286	Vice President & Senior Counsel	LLB, B.S.L	11	08-05-2017	Diageo India Private Limited – Legal Consultant
19.	Hina Nagarajan	57	-	6,89,93,519	Managing Director & Chief Executive Officer	Masters Degree in Business Management – IIM	33	01-04-2021	MD Africa Emerging Markets (Diageo)
20.	Jagbir Singh Sidhu	52	-	3,23,60,951	EVP & Chief Operating Officer – North & West	MBA, Punjab University 1994	27	05-07-2017	Pernod Ricard
21.	Jyoti Saraf Dey	42	-	1,20,93,638	Vice President – Senior Counsel Legal	LLB, BA	17	19-03-2018	Bajaj Finance Limited - National Head, legal
22..	Kashinath Jha	53	-	1,97,15,677	Vice President - Manufacturing	BE 1991	30	06-09-2016	Reckitt Benckiser
23.	Prasanna Venkatesh M N	47	-	1,04,33,610	Senior General Manager – Health & Safety	MBA/BE	10	30-09-2016	Nigeria Distilleries – General Manager, Operations.
24.	Mamta Sundara	45	-	3,42,59,319	EVP and General Counsel	LLB	18	15-02-2015	Senior Counsel - India Projects, Diageo India Pvt. Ltd.
25.	Manish Shetty	47	-	1,67,53,180	Vice-President – IT	BE, MBA	22	01-06-2020	Director IT – Tata Global Beverages Limited
26.	Meghna Agrawal	40	-	1,43,72,354	Vice-President – Financial Controllership Operations	MBA, London Business School	15	01-07-2015	Diageo UK – Value Creation Manager
27.	Mital Sanghvi	43	-	1,42,49,488	Vice-President - Company Secretary and Ventures Finance	B.Com., ACS, FCCA, ACA	20	09-12-2019	Provenance Land Private Limited
28.	Monish Bhasin	47	50	1,22,88,597	Assistant Vice-President – Sales	MBA/BE	26	25-09-2006	Mahinndra & Mahindra – Senior Brand Manager
29.	Navin Jain	49	-	1,52,83,360	Tax Director – Asia & India	Chartered Accountant	22	27-12-2018	Vedanta/Cairn India Limited – Head, Taxation
30.	Pradeep Jain	54	-	3,41,40,653	Chief Financial Officer	B.Com., 1988, CA 1991	29	04-04-2017	CFO, Pidilite Industries
31.	Prathmesh Mishra	52	-	4,78,64,415	Chief Commercial Officer	PGDM, BA	23	18-06-2014	Pernod Ricard

Annexure-4 (Continued)

Sl. No.	Employee Name	Age as of March 31, 2022	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
32.	Raghunath V	56	-	1,06,38,436	Senior General Manager - Manufacturing	B.Sc.	34	01-06-1989	Sundar Chemicals – Quality Assurance Chemist
33.	Rajesh Vijayan Menon	44	-	1,29,08,558	Head – RCB 7 Extension Business	B.Com – PGDBA	18	11-09-2006	Cuticura Talcom Powder – Product Managing
34.	Ramanathan C	47	-	1,19,95,950	Vice President – Controls, Compliance & Ethics	B Com	25	03-01-2008	Pepsico India – Sales Accounting Manager
35.	Richa Periwal	43	-	1,01,07,288	Senior General Manager – Investor Relations	Chartered Accountant	16	02-07-2018	Allied Blenders & Distilleries – Head, Finance.
36.	Sandeep Kumar Singal	58	-	3,13,36,850	EVP & Chief Operating Officer - South & East	B.Tech., MBA	22	14-10-2015	Head- Branded Retail & Alternate Channels, Tata Tele Services Ltd.
37.	Sanjeev Ganesh	46	100	2,11,00,915	EVP- Procurement	B.Tech., MBA	16	01-04-2010	Managing Consultant, Aqua Management Consulting Group
38.	Sanjeev Khanna	51	-	1,01,97,044	Senior General Manager – Popular Business	MBA/B.Com	14	16-07-2007	Ogilut & Mather – Director, Client Services
39.	Sanjeev Kumar Gupta	55	-	3,24,71,859	Executive Vice President - Manufacturing Operations	BE 1987, PGD NIIE, 1988	32	03-07-2017	Mondelez – Integrated Supply Chain Director
40.	Sanjeev Vijh	52	-	1,36,56,727	Vice President – Corporate Affairs	B.Com	25	25-04-2019	Pernod Ricard – Head, External Affairs
41.	Saurabh Kumar	43	-	1,25,51,577	Vice President – Sales	B.Tech	20	18-07-2019	Innovative Foods Limited – CCO (Chief Operating Officer)
42.	Shashi Kumar	52	-	1,05,05,614	Vice President – Supply Move	Industrial & Production Engineering	22	02-02-2015	3M India Limited – General Manager, LSS & Commercialisation
43.	Shweta Jain	46	-	1,66,35,314	Chief Business Development Officer – Luxury Reserve Craft & Strategic Accounts	MBA/B Com	18	11-12-2017	William Grant & Sons – Head of Marketing India Sub-Continent
44.	Subroto Geed	47	-	3,01,01,360	EVP & Chief Operating Officer - Popular and Franchise Business	PGDISM	22	21-09-2015	Nicholas Piramal India Ltd.
45.	Uttara Srinivasan	40	-	1,06,11,423	Vice-President – Supply Planning	MBA/BE	12	03-05-2017	Infosys BPO – Industry Principle, Lead Strategic Projects
46.	Varun Singla	42	-	1,21,24,720	Vice-President – Sales	B Com	18	26-07-2012	Akzo Noble India Ltd - Zonal Manager
47.	Venkateswaran Krishnamoorthy	43	-	1,15,15,044	Senior General Manager – IT Operations	MBA/B Tech	18	09-01-2017	IFF CO, UAE – Head IS Customer Centricity & HCM

Annexure-4 (Continued)

Sl. No.	Employee Name	Age as of March 31, 2022	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
48.	Vikram Jain	47	-	1,35,28,903	Asst Vice President – Sales	MBA, B Com	25	19-01-2009	Pernod Ricard – Senior Manager & Marketing
49.	Vikram Damodaran	47	-	21,409,267	Chief Innovation Officer	B.E. (Mech.)	24	14-10-2019	GE Healthcare – Chief Product Officer

B. Employed for the part of the year

Sl. No.	Employee Name	Age as of March 31, 2021	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/ duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
1.	Amarpreet Singh Anand	45	-	3,60,86,783	Executive Vice President and Portfolio Head	PGDM	20	02-02-2015	Mondelez International Ltd.
2.	Amitabh Pande	46	-	81,20,206	Vice President – Consumer Planning & Insights	BA, PGDM	22	09-08-2021	Ikea India – Head Marketing
3.	Amrit Thomas	56	-	1,35,60,801	Chief Marketing Officer	B.TECH, PGDM	29	12-06-2007	CATEGORY HEAD - BEVERAGES, HLL
4.	Anand Kripalu	64	-	28,73,88,629	Managing Director and Chief Executive Officer	B.Tech, PGDM	36	01-05-2014	Managing Director, Cadbury India Ltd.
5.	Baskaran Thyagarajan	51	-	1,58,04,516	Vice President – Manufacturing (TMU)	Bachelor of Engineering in Mechanical Engineering, Thyagarajar College of Engineering, Madurai, Tamil Nadu, India	29	12-01-2017	Heading India Operations – Manufacturing, Avery Dennison India Private Limited
6.	Kedar Vivekanand Ulman	48	-	3,61,70,621	Chief Supply Chain Officer	BE, IIM - B	25	24-04-2009	Sr. Manager, Accenture Services Pvt. Ltd.
7.	Keshava Babu	50	-	1,81,90,729	Assistant Vice-President – Quality	BE	29	03-11-2011	Motorola – Head, Quality
8.	Mathew Xavier	58	-	3,47,89,682	EVP & Chief Operating Officer (South)	PGDM/B.Com	32	10-11-2003	VP, Marketing Erstwhile SWDL
9.	Nicola Burke	48	-	1,08,94,682	Vice President - Customer Marketing	Bachelor of Business, Marketing & Management	27	19-08-2019	Diageo PLC
10.	Nimish Shah	47	-	1,03,73,871	Executive Vice President & Financial Controller	Chartered Accountant	25	09-09-2021	The Walt Disney Company – APAC Regional Controller
11.	Nitesh Chhapru	43	-	1,03,78,422	Vice President and Chief Innovation Officer	MBA	16	01-01-2014	Founder Director, The Brahma Innovation Company

Annexure-4 (Continued)

Sl. No.	Employee Name	Age as of March 31, 2021	Shares held (No's)	Remuneration paid (in ₹)	Designation and Nature of employment/ duties	Qualification	Experi-ence (in yrs)	Date of commencement of employment	Particulars of previous employment
12.	Rakesh Kumar	45	-	1,11,72,984	Executive Vice President & Chief Operating Officer – South & East	PGDBM, Marketing in Finance from Institute of Management Technology	15	12-10-2021	SC Johnson Products Private Limited – Senior Director & General Manager, South Asia
13.	Ruchira Jaitley	49	-	62,26,140	Executive Vice President & Portfolio Head	PGDM, Marketing from Indian Institute of Management	23	01-10-2021	HMD Global Private Limited – CMO India
14.	Sanjoy Sarkar	55	-	1,71,68,313	Senior General Manager - Finance	B.Sc	29	08-07-2002	General Mills India Private Limited – Regional Commercial Manager
15	Savita Pai	41	-	1,20,02,706	Vice President – Chief Digital & Media Officer	BE/PGDM	14	29-05-2017	Cisco Systems India Limited – Senior Manager, Site OPS & Strategy
16.	Sri Prakash	58	-	1,19,27,100	General Manager – Finance BP – Leased Units	B Com	28	28-01-1993	USL Hathidah Distilleries – Accounts Manager
17.	Sunil Dwivedi	50	-	25,38,978	Vice President – Manufacturing	BE Chemical Engineering – IIT Bombay	20	10-01-2022	AvanStrate Inc - Head, Operations
18.	Sunny Singh Kataria	38	-	34,15,582	Vice President – Sales Effectiveness	Master of Business Administration	13	29-11-2021	OLX Group – Head of Commercial Excellence

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 27, 2022

Annexure-5

Risk Management

USL's ambition is to create the best performing, most trusted and respected consumer Products Company in India. We believe that great 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.

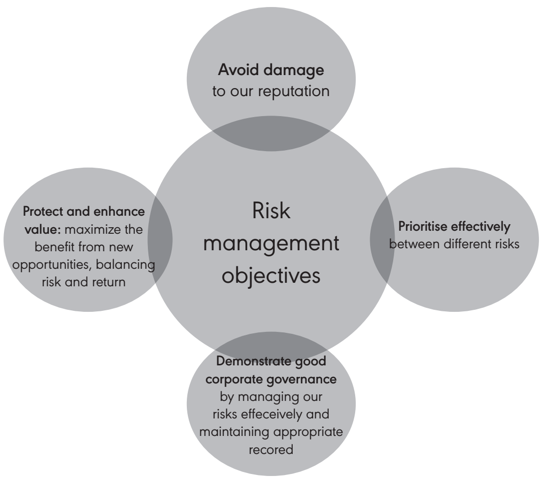
The management of risk is embedded in the corporate strategies of developing a portfolio of world-class businesses that best match organizational capability with market opportunities and succession planning processes, nurturing specialism and enhancing organizational capabilities through timely developmental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

Responding to the Covid-19 pandemic: The Covid-19 pandemic has created multiple different risks for our business. The spread has been rapid and the impact to the Indian economic outlook remains uncertain. Protecting our people and our business and supporting our suppliers, customers and communities have been at the forefront of our response to the pandemic. Risk mitigations have been agile and effective with support and oversight by Risk Management Committee and the Board. An Executive Working Group has developed risk mitigation actions to protect our people that included best practice protocols aligned with government strategies and our people's safety. Robust employee safety protocols were implemented including having all employees who were able to do so working remotely, heightened sanitation measures and restrictions on movement to and from our production sites and warehousing sites. Protocols for a safe return to work have been developed and are being implemented on a location-by-location basis in line with government guidelines and ensuring an environment that supports our employees' well-being and safety as the primary concern. Our business performance has been impacted by the containment actions adopted by governments as they seek to mitigate the impact of the pandemic, and the resulting disruption and economic effect on our consumers, customers and suppliers. We continued to focus on identifying and assessing potential emerging risks.

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; 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:

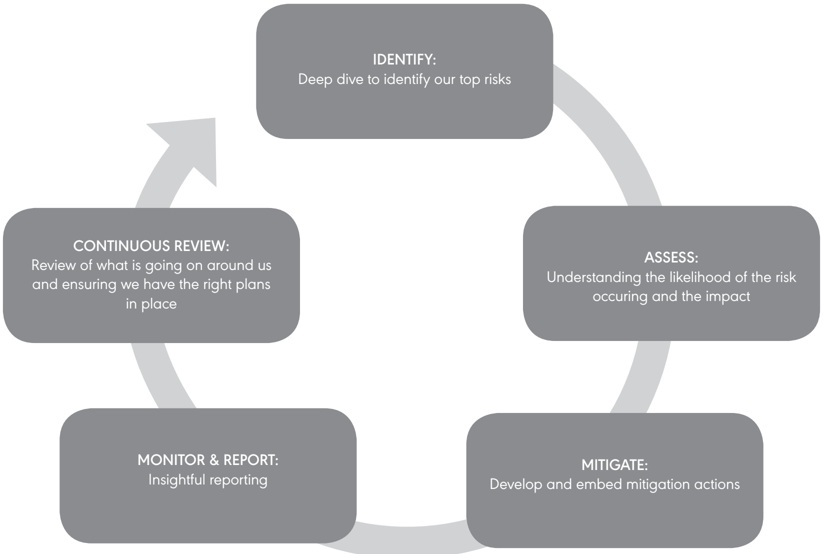
We have identified, assessed, determined, expected impact and likelihood of the risk occurring over the next 12-24 months by using various parameters such as brand management, reputation management, Operations management, our people, workplace & safety, and financial impact on profit.

- 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 and 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 as well as 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 is 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 Delegations 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.

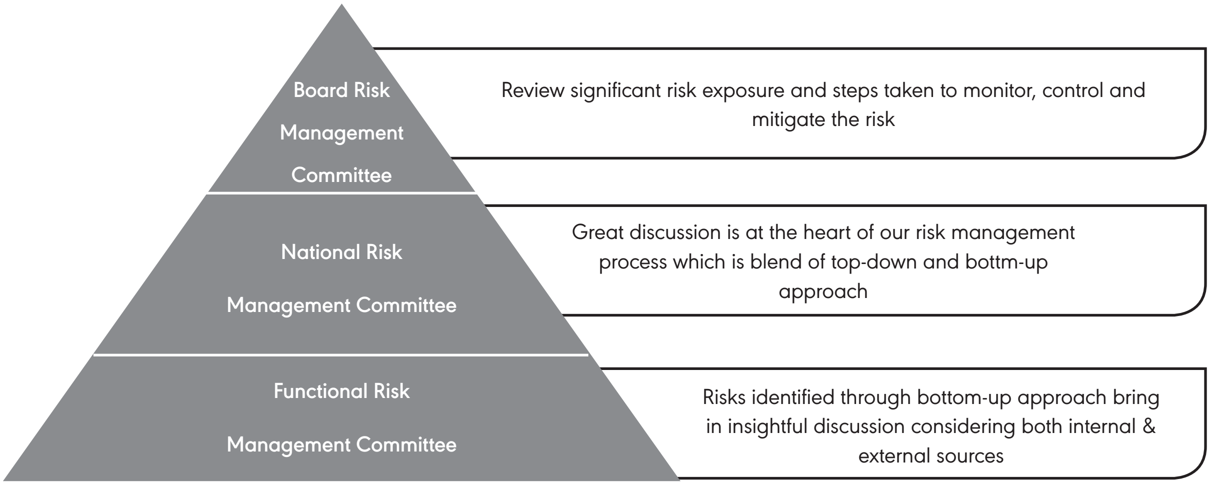
It is driven, demonstrated in action and endorsed by senior management team. The Board exercises independent review through Audit Risk committee.

Key components of risk management framework:



Risk governance structure

Annexure-5 (Continued)



Risk Categories:

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

Strategic	Operational		Financial		Compliance/ Regulatory
1. Strategiv 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	Spirce 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 to cash	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	Data Maintenance	Indirect Taxes (e.g. customers/ excise/GST)	Competition and anti trust
Sustainability & responsibility and climate change	Supply Raw Materials, Finished Goods and COGS	Oprational Technology	Segregaton of duties	4. Payroll & Benefits	Sanction and trade controls
Economic instability, civil unrest, and terrorism	Supply - Logistics	Strategy & Service Delivery	Statement of authorities	Pension	Human Rights/Dignity at work
Government regulatory restriction & indirect tax	Supply - Procerement	Retention & Disposal of Information		Payroll	
	Supply - Quality Contamination Counterfeit				

During the year, we have carried out the risk survey of key risks applicable to Alcobev sector in India and reviewed the following risks and put in place the appropriate mitigation actions.

- Digital disruption
- Unfavorable economic conditions and Global Geopolitical events
- Business model disruption and Supply chain disruption
- Talent shortage or failure to upskill
- Cyber attack

Annexure-5 (Continued)

- Changes in regulatory environment
- Changing customer expectations

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. Home Delivery channels Unlock in three more states due to frequent Lockdowns resulting in Market Restrictions	
Compliance & Regulatory			
Anti-Trust 2 4	• Severe damage to our company reputation and/or significant financial penalty.	• Continuous awareness, training and communications • Actively working with Legal working group set up at industry level to monitor and keep a watch to ensure no anti-competitive practices are followed. • To analyze and pre-approve market share based scheme proposals from time-to-time, basis business request. • Evaluate and examine if the existing Trade Schemes run by Commercial Function have any anti-trust implications or risk.	
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.	· 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 programme 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	

Annexure-5 (Continued)

	• Regular training, communications, annual certification, and engagement activities to embed employee understanding. • Well-embedded control assurance programme and strong centralized second line of defense. • Third-party due diligence process supported by technology and central oversight.	• All levels raised awareness of policies such as cyber risk, data privacy, Anti-trust, Anti-bribery (including gifting & entertainment guidelines), Information Management and Security, Employee alcohol policies and Dignity at Workplace. Further, carried out Policy understanding Test for all on role employees, to measure the effectiveness trainings imparted.	
Data Privacy 2 5	• Harm to our reputation with consumers, customers and/ or our people. • Non-compliance with data protection regulation resulting in penalties	• Continuous training and awareness on data privacy policy. • Privacy impact assessments in key risk areas of the business. • Minimum standard for compliance has been set to focus on key risk areas. • Detailed review of data privacy requirements carried out in respect of information systems and processes, through a structured program including analysis of access controls, data minimization and masking, data retention and storage, record of processing activities, and third-party data management. • The procedures are in place for protection of personal data collected during implementation of trade schemes. Opt-In consent for all marketing initiatives where end consumer information is collected online.	
Operational Risk			
Cyber Risk 2 3 4	• Financial loss • Operational disruption • Reputational damage.	• Enterprise-wide cyber risk management processes and policies in place. • 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)

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.	• Proactive engagement with the most impacted states - both excise and police. Mobilize ISWAI cooperation and action in relation to advocacy against Counterfeit.
		• 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.
		• Support Technical Centre in implementing anti-counterfeiting technology for MAP (Most Affected Products)- completion of the POC and implementation of the anti-counterfeiting technology on identified products.
		• Monitoring illegal sale of alcohol in the online space
		• Roll out 'Detect & Report' annual training for Commercial & Marketing teams and leverage success stories to raise awareness.

Risk Outlook No change

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

Place : Mumbai
Date : May 27, 2022

Annexure-6

Corporate Social Responsibility (CSR)

THE ANNUAL REPORT ON CSR ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2022

[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 CSR Committee:**

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

The Committee was named as Corporate Social Responsibility and Environmental, Social, and Governance Committee effective 1st April 2022.

* With revised composition of the Committee, Randall Ingber ceases to be member of the committee with effect from 1st April 2022

** With revised composition of the Committee, Mark Sandys became member of the committee with effect from 1st April 2022

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

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

4. Provide the details of the Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable.

Not Applicable (N.A.)

5. Details of the amount available for set-off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and the amount required for set-off for the financial year, if any.

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Mn)	Amount required to be set-off for the financial year, if any (in Mn)
1.	N.A.	N.A.	N.A.

6. Average net profit of the Company as per Section 135(5) of the Companies Act, 2013:

3,746 Mn

Annexure-6 (Continued)

7. (a) Two percent of average net profit of the Company as per Section 135(5) of the Companies Act, 2013:

74.9 Mn

(b) Surplus arising out of CSR projects or programmes or projects or activities of the previous financial years:

N.A.

(c) Amount required to be set-off for the financial year, if any:

N.A.

(d) Total CSR obligation for the financial year (7a+7b-7c):

74.9 Mn

8. (a) CSR amount spent or unspent for the financial year:

Total amount spent for the financial year (in Mn)	Amount unspent (in Mn)				
	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		
	(in Mn)	Date of Transfer	Name of the Fund	(in Mn)	Date of Transfer
176.57	176.57	N.A.	N.A.	N.A.	N.A.

(b) Details of CSR amount spent against ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/ No)	Location of the Project		Project duration	Amount allocated for the Project (in Mn)	Amount spent in the current financial year (in Mn)	Amount transferred to unspent CSR account for the Project as per Section 136 (6) of the Companies Act, 2013 (in Mn)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District						Name	CSR Registration No.
1.	N.A.											

Annexure-6 (Continued)

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/ No)	Location of the Project		Amount spent on the Project (in Mn)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
1.	Water replenishment & WASH in Maharashtra & Karnataka	Point IV: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources, and maintaining the quality of soil, air, and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga	Yes	Maharashtra	Nanded	39.82	No	Indo Global Social Service Society	CSR00001677
		Point I: Eradicating hunger, poverty, and malnutrition, ''promoting health care including preventive, health care'' and sanitation including contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water		Maharashtra	Nashik				
				Karnataka	Kumbalgodu				
2.	Water Replenishment in Uttar Pradesh: Pond Rejuvenation	Point IV: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources, and maintaining the quality of soil, air and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga	Yes	Uttar Pradesh	Rosa	0.32	No	Gramodaya Samajik Sansthan	CSR00000264
3.	Drinking water facility in Odisha: Supported Neemapara fire station with drinking water facility	Point I: Eradicating hunger, poverty and malnutrition, ''promoting health care including preventive, health care'' and sanitation including contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water	Yes	Odisha	Neemapara	0.04	Yes	-	-
4.	Collective action on water in Rajasthan	Point IV: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources, and maintaining the quality of soil, air, and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga	Yes	Rajasthan	Alwar	2.52	No	Gramodaya Samajik Sansthan	CSR00000264
5.	Afforestation	Point IV: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources, and maintaining the quality of soil, air, and water including contribution to the Clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga	Yes	Maharashtra	Nashik	0.66	No	Indo Global Social Service Society	CSR00001677

Annexure-6 (Continued)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/ No)	Location of the Project		Amount spent on the Project (in Mn)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
6.	Promoting special education through the programme: "Act Smart India": To educate teenagers in the age group 13-17 years on the impacts of under-age consumption	Point II: Promoting education, including special education and employment enhancing vocational skills, especially among children, women, the elderly, and the differently-abled and livelihood enhancement projects	No	1. Delhi 2. Haryana 3. Rajasthan 4. Maharashtra 5. Uttar Pradesh	1. Delhi 2. Gurugram 3. Alwar 4. Mumbai 5. Lucknow	5.16	No	Shri Mahakal Education and Charitable Trust	CSR00004675
7.	Promoting special education on moderation & responsible consumption of alcohol	Point II: Promoting education, including special education and employment enhancing vocational skills, especially among children, women, the elderly, and the differently-abled and livelihood enhancement projects	No	1. Delhi 2. Haryana 3. Rajasthan 4. Maharashtra 5. Uttar Pradesh	1. Delhi 2. Gurugram 3. Alwar 4. Mumbai 5. Lucknow	0.21	Yes	-	-
8.	Promoting special education through the programme "Wrong Side of the Road" : To create awareness of the impacts of drink and drive amongst consumers	Point II: Promoting education, including special education and employment enhancing vocational skills, especially among children, women, the elderly and the differently-abled and livelihood enhancement projects	No	1. Delhi 2. Haryana 3. Rajasthan 4. Maharashtra 5. Uttar Pradesh	1. Delhi 2. Gurugram 3. Alwar 4. Mumbai 5. Lucknow	13.72	No	Shri Mahakal Education and Charitable Trust	CSR00004675
9.	Enhancing vocational skills through the programme "Learning for Life": Training on skills required in Hospitality Sector	Point II: Promoting education, including special education and employment enhancing vocational skills, especially among children, women, the elderly and the differently-abled and livelihood enhancement projects	No	1. Assam 2. Maharashtra 3. West Bengal 4. Haryana 5. Uttar Pradesh 6. Punjab	1. Panjabari 2. Amravati 3. Maheshtala & Kalyani 4. Gurugram 5. Lucknow 6. Chandigarh	9.76	No	Orion Educational Society	CSR00000597
10.	Enhancing vocational skills under "Learning for Life" in Odisha	Point II: Promoting education, including special education and employment enhancing vocational skills, especially among children, women, the elderly and the differently-abled and livelihood enhancement projects	Yes	Odisha	Gopalpur	1.62	No	Indo Global Social Service Society	CSR00001677
11.	Under national COVID support project: Support provided to Karnataka Govt. with 100 units of Oxygen Cylinders	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Karnataka	Hassan	5.15	No	Give India	CSR00000389

Annexure-6 (Continued)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/No)	Location of the Project		Amount spent on the Project (in Mn)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
12.	Under the national COVID support project: Support provided to Bangalore Hospital: 30 Oxygen Concentrators and 2 Ventilators	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Karnataka	Bangalore	6.24	No	Give India	CSR00000389
13.	Under national COVID support project: Support provided to Karnataka State: 1,500 Litres Sanitiser	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Karnataka	Bangalore	0.19	No	Research and Extension Association for Conservation Horticulture and Agro-forestry (REACHA)	CSR00000086
14.	Under national COVID support project: Support provided to Karnataka, CHC Hunsgi, Yadgiri: 500 LPM PSA Plant, DG set and other medical equipment	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Karnataka	Yadgiri	19.74	No	Give India	CSR00000389
15.	Under national COVID support project: Support provided to Maharashtra Govt. hospital, Manchar: 18 Ventilators and 30 ICU Beds	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Maharashtra	Pune	17.04	No	Research and Extension Association for Conservation Horticulture and Agro-forestry (REACHA)	CSR00000086
16	Under national COVID support project: Support provided to Maharashtra, Vani, and Dindori rural hospital: 6 cardiac monitors and 6 BIPAP machines	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Maharashtra	Nashik	1.55	No	Research and Extension Association for Conservation Horticulture and Agro-forestry (REACHA)	CSR00000086
17.	Under national COVID support project: Support provided to Jharkhand, CHC, Godda: 6 Oxygen concentrators	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Jharkhand	Godda	0.80	No	Research and Extension Association for Conservation Horticulture and Agro-forestry (REACHA)	CSR00000086

Annexure-6 (Continued)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/ No)	Location of the Project		Amount spent on the Project (in Mn)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
18.	Under national COVID support project: Support provided to Meghalaya State Govt.: 6 Oxygen Concentrators & Tripura State Govt.: 5 Oxygen Concentrators & 2000 Litres of Hand sanitiser	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Meghalaya Tripura	Shillong Agartala	1.86	No	Gramodaya Samajik Sansthan	CSR00000264
19.	Under national COVID support project: Support provided to Delhi Govt.: 75 Oxygen Concentrators	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Delhi	Delhi	5.12	No	Research and Extension Association for Conservation Horticulture and Agro-forestry (REACHA)	CSR00000086
20.	Under national COVID support project: Support provided to Delhi Govt.: 8 Container Clinics	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Delhi	Delhi	18.80	No	Give India	CSR00000389
21.	Under national COVID support project: Support provided to Odisha, Neemapara hospital: 4 Oxygen concentrators, 250 Litres sanitisers and 2,000 masks	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Odisha	Neemapara	0.66	No	Gramodaya Samajik Sansthan	CSR00000264
22.	Under national COVID support project: Support provided to 5 hospitals in Uttar Pradesh.: 20 NM3 Oxygen plants each	Point XII: Disaster management, including relief, rehabilitation and reconstruction activities	Yes	Uttar Pradesh	Jhansi, Jalon, Lalitpur, Banda & Fatehpur	22.05	No	Research and Extension Association for Conservation Horticulture and Agro-forestry (REACHA)	CSR00000086
23.	Under national COVID support project: Support provided to Telangana, Malkajgiri public health centre: C-arm hydraulic OT table	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Telangana	Malkajgiri	0.15	No	Gramodaya Samajik Sansthan	CSR00000264

Annexure-6 (Continued)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Companies Act, 2013	Local area (Yes/ No)	Location of the Project		Amount spent on the Project (in Mn)	Mode of Implementation Direct (Yes/No)	Mode of Implementation: Through Implementing Agency	
				State	District			Name	CSR Registration No.
24.	Under national COVID support project: Support provided to Rajasthan, Dist. Hospital, Jaisalmer: 5 Vehicles for 6 months to be used for COVID-19 Vaccination	Point XII: Disaster management, including relief, rehabilitation, and reconstruction activities	Yes	Rajasthan	Jaisalmer	1.05	No	Gramodaya Samajik Sansthan	CSR00000264
25.	Support extended to Pain Relief Centre in Chandigarh	Point I: Eradicating hunger, poverty and malnutrition, ''promoting health care including preventive, health care'' and sanitation including contribution to the Swachh Bharat Kosh set up by the Central Government for the promotion of sanitation and making available safe drinking water	Yes	Chandigarh	Chandigarh	0.89	No	Gramodaya Samajik Sansthan	CSR00000264
26.	Support extended for Renovation of Alwar Sports Stadium	Point X: Rural development projects	Yes	Rajasthan	Alwar	0.14	No	Gramodaya Samajik Sansthan	CSR00000264
27.	Other community development projects	Point X: Rural development projects	Yes	Maharashtra Odisha	Baramati Neemapara	0.28	Yes		
					Total	**175.50**			

(d) Amount spent on Administrative Overheads:1.07 Mn

(e) Amount spent on Impact Assessment, if applicable: N.A.

(f) Total amount spent for the financial year (8b+8c+8d+8e): 176.57 Mn

(g) Excess amount for set off, if any: N.A.

Sl. No.	Particulars	Amount (in Mn)
(i)	Two percent of the average net profit of the Company as per Section 135(5) of the Companies Act, 2013	74.90
(ii)	Total amount spent for the financial year	176.57
(iii)	Excess amount spent for the financial year [(ii)-(i)]	101.67
(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)]	101.67

9. (a) Details of unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding financial year	Amount transferred to unspent CSR Account under section 135 (6) of the Companies Act, 2013 (in Mn)	Amount spent in the reporting financial year (in Mn)	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 Mn₹)
				Name of the Fund	Amount (in Mn)	Date of Transfer	
1.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Annexure-6 (Continued)

(b) Details of CSR amount spent in the financial year for **ongoing projects** of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the Project was commenced	Project duration	Total amount allocated for the Project (in Mn)	Amount spent on the Project in the reporting financial year (in Mn)	Cumulative amount spent at the end of reporting financial year (in Mn)	Status of the Project - Completed /Ongoing
1.	N.A.	N.A.	N.A.	N.A	N.A.	N.A.	N.A	N.A.

1. In case of creation or acquisition of a capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year:

   N.A.

   (a) Date of creation or acquisition of the capital asset(s):

   N.A.

   (b) Amount of CSR spent for the creation or acquisition of the capital asset:

   N.A.

   (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address, etc.:

   N.A.

   (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset):

   N.A.

   (e) 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:

   N.A.

Hina Nagarajan
(Managing Director and Chief Executive Officer)

Indu Shahani
(Chairperson CSR 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 eliminating the use of fossil fuel for all your energy requirements of distilleries by installing all Boilers which can be used as renewable fuel and 100% of energy requirement being met through renewable fuel.

Your Company has well progressed to achieve and sustain 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 installed a Steam Turbine at Alwar to power 20% of Sites Operation through renewable and Installed Biogas Engine at Aurangabad to power 30% of the Sites operations through Renewable Electricity.

Your Company continues its efforts to sustain the 100% renewable energy and 100% renewable electricity status through investing in enhancing in-house capability to generate renewable electricity and conservation of energy.

(ii) Renewable Energy (Own units):

o As an entity, we are improving consistently in the following areas and making steady progress

- We are committed to achieving 100% renewable energy
- Biofuel-based boilers at all distilleries for processing steam & heat requirements
- Self-generation of renewable electricity through steam turbines and solar panels
- Procurement of International Renewable Energy Certificates (i-REC) against electricity imported from the grid

B) Technology Absorption

(i) The efforts made towards technology absorption:

A. Fully Integrated High-Speed 400 BPM line for N1W 180 ml SKU – First-of-its-kind line for Alco-Bev Industry in India: This Line is bought from KHS India, whereas most of the components are imported from Germany including Capping Machine, Shrink Wrapper & Empty/Filled Bottle Inspection Systems.

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.

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

All these automation are first-of-its-kind for Diageo India and enabled delivery with respect to less dependency on manpower, high outputs, low operating cost, and 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, Shrink Wrapping Machines & Bottling Line.

(b) The year of import: 2020.

(c) Whether the technology has been fully absorbed: Yes. It is completely installed and operating at the Nashik 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 ₹ 25 crore on research and development which includes development spends on renovation and innovation.

C) Foreign Exchange Earnings and Outgo (₹ in Millions)

Foreign exchange earned in terms of actual inflows during the year	1,620.13
Foreign exchange outgo in terms of actual outflows during the year	6,633.84

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

Place: Mumbai
Date: May 27, 2022

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 As on the date of this report, the Board of Directors of the Company comprises of:

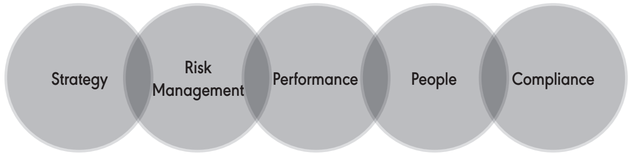
- A non-executive Independent Director as Chairman;
- One Managing Director;
- Three non-executive non-independent directors; and
- Five Independent Directors including the Chairman and a woman Independent Director.

2.2 In the opinion of the Board, the Independent Directors fulfilled 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. None of the Directors are *inter-se* related to each other.

2.3 None of the Directors of the Board holds directorship in more than 10 public companies, 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.

2.4 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.

2.5 Attendance of each Director at the Board Meetings and at the last Annual General Meeting (AGM) and details of the number of outside directorship and committee positions held by each of the Directors as on March 31, 2022 are given below:

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on August 26, 2021	No. of other Companies in which Director as on March 31, 2022*	No. of committees (other than the Company)		Directorship in other listed Company and Category of Directorship
				Chairman / Chairperson	Member	
Mr. Mahendra Kumar Sharma (Independent Non-Executive Chairman)	7	Yes	3	1	2	1. **Asian Paints Limited** (Independent Director) 2. **Ambuja Cements Limited** (Non-Independent Director)
Mr. Anand Kripalu (Managing Director and Chief Executive Officer)$	1	NA	NA	NA	NA	NA

Corporate Governance Report (Continued)

Name of Director and Category	No. of Board Meetings attended during the year	Attendance at last AGM held on August 26, 2021	No. of other Companies in which Director as on March 31, 2022*	No. of committees (other than the Company)		Directorship in other listed Company and Category of Directorship
				Chairman / Chairperson	Member	
Mr. V K Viswanathan (Independent Non-Executive Director)	8	Yes	7	4	8	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)	8	Yes	4	1	5	1. **Bajaj Electricals Limited** (Independent Director) 2. **Colgate Palmolive (India) Limited** (Independent Director) 3. **Clariant Chemicals (India) Limited** (Independent Director)
Mr. D Sivanandhan (Independent Non-Executive Director)	8	Yes	7	1	6	1. **Forbes & Company Limited** (Independent Director) 2. **Kirloskar Industries Limited** (Independent Director) 3. **Inditrade Capital Limited** (Independent Director)
Mr. Rajeev Gupta (Independent Non-Executive Director)	8	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)
Mr. Vinod Rao (Non-Executive Director)$$	4	No	Nil	Nil	Nil	Nil
Mr. John Thomas Kennedy (Non-Executive Director)	7	Yes	Nil	Nil	Nil	Nil
Mr. Randall Ingber (Non-Executive Director)	7	Yes	Nil	Nil	Nil	Nil

$ - Mr. Anand Kripalu stepped down as Managing Director and Chief Executive Officer with effect from end of the day June 30, 2021.

$$ - Mr. Vinod Rao stepped down as Non-Executive Director with effect from end of the day December 15, 2021.

* 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 membership in only Audit Committee and Stakeholders Relationship Committee in terms of Regulation 26(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the last column consists of listed Indian companies only in terms of Regulation 17A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Corporate Governance Report (Continued)

2.6 During the financial year under review, 8 Board Meetings were held, i.e., on May 21, 2021, July 23, 2021, September 07, 2021, October 19, 2021, October 27, 2021, January 25, 2022, March 12, 2022 and March 25, 2022 and the gap between any two Board Meetings did not exceed 120 days.

Name of Director and Category	1	2	3	4	5	6	7	8	% of Meeting attended during the year
	May 21, 2021	July 23, 2021	September 07, 2021	October 19, 2021	October 27, 2021	January 25, 2022	March 12, 2022	March 25, 2022	
Mr. Mahendra Kumar Sharma (Independent Non-Executive Director and Chairman)	✓	✓	✓	✓	✓	LOA***	✓	✓	87.5%
Ms. Hina Nagarajan* (Managing Director and Chief Executive Officer)	NA**	✓	LOA***	✓	✓	✓	✓	✓	85.71%
Mr. Anand Kripalu*(Managing Director and Chief Executive Officer)	✓	NA**	NA**	NA**	NA**	NA**	NA**	NA**	100%
Mr. V K Viswanathan (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	✓	100%
Dr. (Mrs.) Indu Shahani (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mr. D Sivanandhan (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mr. Rajeev Gupta (Independent Non-Executive Director)	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mr. Vinod Rao$ (Non-Executive Director)	✓	✓	LOA***	✓	✓	NA**	NA**	NA**	80%
Mr. John Thomas Kennedy (Non-Executive Director)	✓	✓	✓	✓	✓	✓	LOA***	✓	87.5.%
Mr. Randall Ingber (Non-Executive Director)	✓	✓	✓	✓	✓	✓	LOA***	✓	87.5%

* Ms. Hina Nagarajan (Managing Director and Chief Executive Officer) appointed with effect from July 1, 2021 and Mr. Anand Kripalu (Managing Director and Chief Executive Officer) stepped down as MD & CEO from the organization with effect from end of the day June 30, 2021.

** NA - Not Applicable

*** LOA - Leave of Absence

$ - Mr. Vinod Rao resigned w.e.f. end of the day December 15, 2021.

2.7 Awards and recognition

- Your Company's Nashik plant was recognized for Best-in-Class Excellence in Continuous Improvement by India Future Supply Chain and also won a Gold in the National Awards for Manufacturing Competitiveness Assessment awarded by International Research Institute for Manufacturing (IRIM).
- Your Company's plant in Aurangabad won the India Green Manufacturing Challenge, Silver Award-2021 by International Research Institute for Manufacturing India and received a Gold and a Silver Award in Kaizen Competition conducted by Chapter Convention of Quality Circle – 2022 (Quality Circle Forum of India).
- Your Company's plant in Nacharam won the Par Excellence Award (highest in the category) at the National Convention on Quality Concepts organized by Quality Circle Forum of India. The plant in Nacharam also won the GOLD award at the 35th Annual Chapter Convention with the theme "Involving People through Quality Concepts to make India a Global leader" organized by Quality Circle Forum of India.

Corporate Governance Report (Continued)

- Your Company's plant in Nacharam received the BRONZE award in 3rd Kaizen competition 2021 organized by Confederation of Indian Industry (CII).
- Your Company's marketing team received multiple awards during the year with 1 Silver and 4 Bronzes at the transform Awards.
- Your Company was awarded a total of 13 awards at the E4M Indian Marketing Awards this year including the Marketing Team Of The Year Ahead Of Stalwarts in the CPG Sector.
- Your Company was the winner at the Cosmo Saturday Night Awards.
- Your Company won across multiple categories at the IndSpirit Awards, Campaign India Digital Crest Awards, ET F&B Leaders 2021 Awards and co-shared awards with PHD for the MMA Global Awards.
- Your Company won the Best Single Malt Whisky of 2021 by Alcobuzz Awards.
- Your Company was recognized for the Best New Product Of The Year at the Ambrosia Awards 2021.
- Your Company was awarded the Best Packaging Award at the Ambrosia Awards 2021.
- Your Company won the Blackdog- Bronze 2021 by International Spirits Challenge Design Awards.

2.8 Web link where details of familiarization programmes imparted to independent directors is disclosed.

The details of the familiarization remuneration programmes imparted to the Independent Directors are disclosed on the Company's website at https://www.diageoindia.com/investors/shareholder-centre/notice-board/directors-familiarization-program-details/

2.9 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 actually available with the Board along with the names of Directors who have such skills/expertise/competence, are given below:

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

2.10 Confirmation that in the opinion of the Board, the Independent Directors fulfill the conditions specified in SEBI (LODR) and are independent of the management :

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 (SEBI (LODR) Regulations) and are independent of the management.

2.11 Disclosures regarding appointment and re-appointment of directors

The details of appointment/re-appointment of directors are mentioned in point 10 of the Directors Report pursuant to Regulation 36(3) of SEBI (LODR) Regulations. Brief profile of the director who is being re-appointed is mentioned as part of AGM Notice annexed to this Report.

Corporate Governance Report (Continued)

3. Audit committee

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

Mr. V K Viswanathan (Chairman)	Non-Executive Independent Director
Dr. (Mrs.) Indu Shahani	Non-Executive Independent Director
Mr. D Sivanandhan	Non-Executive Independent Director
Mr. Rajeev Gupta	Non-Executive Independent Director
Mr. Mahendra Kumar Sharma	Non-Executive Independent Director
Mr. John Thomas Kennedy	Non-Executive Director
Mr. Vinod Rao$	Non-Executive Director

$ - Stepped down as member with effect from end of December 15, 2021

The Audit Committee was re-constituted with effect from April 1, 2022 comprising of following directors:

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

3.2 Pursuant to Regulation 18(3) and Part C of Schedule II, SEBI (LODR) Regulations, the terms of reference of the Audit Committee with effect from inter alia include the following:

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, effectiveness, 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 systems

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 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.

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

x. 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

Corporate Governance Report (Continued)

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, United Spirits Limited 3 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 followup 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 wholetime 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 T h e Audit Committee, *inter alia*, has reviewed the financial statements including Auditors' Report for the year ended March 31, 2022 and has recommended its adoption. In addition, the Audit Committee has also reviewed the unaudited quarterly financial results for the quarter ended June 30, 2021, quarterly and six months ended September 30, 2021 and quarterly and nine months ended December 31, 2021 (which were subjected to a limited review by the Statutory Auditors of the Company).

3.4 During the financial year under review, six meetings of the Audit Committee were held i.e., on May 20 & 21, 2021, July 23, 2021, October 26 & 27, 2021, January 24 & 25, 2022, March 12, 2022 and March 25, 2022 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	5	6
	May 20 & 21, 2021	July 23, 2021	October 26 & 27, 2021	January 24 & 25 , 2022	March 12, 2022	March 25, 2022
Mr. V K Viswanathan (Chairman)	✓	✓	✓	✓	✓	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓	✓	✓	✓
Mr. Vinod Rao$	✓	✓	✓	NA**	NA**	NA**
Mr. D Sivanandhan	✓	✓	✓	✓	✓	✓
Mr. Rajeev Gupta	✓	✓	✓	✓	✓	✓
Mr. Mahendra Kumar Sharma	✓	✓	✓	LOA*	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓	LOA*	✓

* LOA – Leave of Absence

**NA – Not Applicable

$ - Resigned as a director w.e.f. end of the day December 15, 2021

Corporate Governance Report (Continued)

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)	Non-Executive Independent Director
Mr. D Sivanandhan	Non-Executive Independent Director
Mr. V K Viswanathan	Non-Executive Independent Director
Mr. John Thomas Kennedy	Non-Executive Director

4.2 Pursuant to Regulation 19(4) and Part D of Schedule II of SEBI (LODR), Regulations, the terms of reference of the NRC *inter alia* include the following:

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 senior management 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 SEBI (LODR) 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, five meetings were held i.e., on May 20, 2021, July 21, 2021, September 07, 2021, January 24, 2022 and March 24 2022. The details of attendance by members of the NRC at such meetings are as stated below:

Name of Director	1	2	3	4	5
	May 20, 2021	July 21, 2021	September 07, 2021	January 24, 2022	March 24, 2022
Dr. (Mrs.) Indu Shahani (Chairperson)	✓	✓	✓	✓	✓
Mr. V K Viswanathan	✓	✓	✓	✓	✓
Mr. D Sivanandhan	✓	✓	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓	✓

4.4 Performance Evaluation of Independent Directors

Pursuant to the provisions of the Companies Act, 2013 and regulation 34(3) read with Schedule V(C) (4)(d) of the SEBI (LODR) Regulations, the NRC has prescribed performance evaluation criteria for Independent Directors as well as for the non-independent directors, the committee and the Board as a whole. Such evaluation was carried out during the year for all the Directors and the Committees viz. Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship and General Committee, Corporate Social Responsibility Committee and Risk Management Committee. The Board and Committee members appreciated that the evaluation

Corporate Governance Report (Continued)

process of the Company was in par with other major corporates and also compared 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 SEBI (LODR) 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, Chairman of respective Committees and individual 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 and Committees and Individual Directors.

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 (Chairman)	Non-Executive Independent Director
Dr. (Mrs.) Indu Shahani	Non-Executive Independent Director
Mr. John Thomas Kennedy	Non-Executive Director
Ms. Hina Nagarajan	Managing Director and Chief Executive Officer
Mr. Anand Kirpalu[$$]	Managing Director and Chief Executive Officer

[$] Appointed as member of the Committee with effect from July 01, 2021.

[$$] Stepped down as member with effect from June 30, 2021.

The Committee was re-constituted with effect from April 1, 2022 comprising of the following members:

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

5.2 The terms of reference of the SRGC inter alia include the following:

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 litigations, 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.

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.

Corporate Governance Report (Continued)

I. 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 20, 2021, July 21, 2021, October 26, 2021 and January 24, 2022 respectively.

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

Name of Director	1	2	3	4
	May 20, 2021	July 21, 2021	October 26, 2021	January 24 2022
Mr. D Sivanandhan (Chairman)	✓	✓	✓	✓
Ms. Hina Nagarajan$	NA*	✓	✓	✓
Mr. John Thomas Kennedy	✓	✓	✓	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓	✓
Mr. Anand Kripalu$$	✓	NA*	NA*	NA*

*NA- Not Applicable

$ Appointed as member of the Committee with effect from July 01, 2021.

$$ Stepped down as member with effect from June 30, 2021.

5.6 The Company/Company's Registrar and Transfer Agents received 11 complaints during the financial year, all of which were resolved to the satisfaction of shareholders/investors.

Sl. No.	Complaints relating to	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	3	3
4.	Non-receipt of Report/Rights forms/ Bonus shares/interest on delayed refund/Dividend and Interest	Nil	Nil
5.	Others	6	6
	Total	10	10

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

5.7 Dividend distribution policy

Pursuant to Regulation 43A of SEBI (LODR) 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://www.diageoindia.com/investors/shareholder-centre/policies/dividend-policy/. 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 (Chairman)	Non-Executive Independent Director
Mr. V K Viswanathan	Non-Executive Independent Director
Ms. Hina Nagarajan$	Managing Director and Chief Executive Officer
Mr. Pradeep Jain	Chief Financial Officer

$ Appointed as member of the Committee with effect from July 01, 2021.

The Committee was reconstituted with effect from April 1, 2022 comprising of following members

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

Corporate Governance Report (Continued)

6.2 The terms of reference of the RMC *inter alia* include the following:

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 16, 2021 and March 16, 2022 respectively

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

Name of the Director	September 16, 2021	March 16, 2022
Mr. Mahendra Kumar Sharma (Chairman)	√	√
Mr. V K Viswanathan	√	√
Ms. Hina Nagarajan$	√	√
Mr. Pradeep Jain	√	√

$ Appointed as member of the Committee with effect from July 01, 2021.

$$ Stepped down as member with effect from June 30, 2021

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

7.1 It may be noted that the Board, at its meeting held on January 25, 2022, renamed the Corporate Social Responsibility Committee to Corporate Social Responsibility and Environmental, Social and Governance Committee (CSR & ESG) with effect from April 01, 2022.

7.2 During the year under review, the Corporate Social Responsibility (CSR) Committee constituted by the Company is comprising of following:

Dr. (Mrs.) Indu Shahani (Chairperson)	Non-Executive Independent Director
Mr. D Sivanandhan	Non-Executive Independent Director
Ms. Hina Nagarajan$	Managing Director and Chief Executive Officer
Mr. Randall Ingber	Non-Executive Director
Mr. Anand Kripalu$$	Managing Director and Chief Executive Officer

$ Appointed as member of the Committee with effect from July 01, 2021.

$$ Stepped down as member with effect from June 30, 2021.

The Committee was reconstituted with effect from April 1, 2022 comprising of following members:

Dr. (Mrs.) Indu Shahani (Chairperson)	Non-Executive Independent Director
Mr. D Sivanandhan	Non-Executive 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 20, 2021, October 26, 2021, January 24, 2022 and March 24, 2022. The details of attendance by members of the CSR Committee are as below:

Name of Director	1	2	3	4
	May 20, 2021	October 26, 2021	January 24, 2022	March 24, 2022
Mr. D Sivanandhan (Chairman)	✓	✓	✓	✓
Dr. (Mrs.) Indu Shahani	✓	✓	✓	✓
Ms. Hina Nagarajan$	NA*	✓	✓	✓
Mr. Randall Ingber	✓	✓	✓	✓
Mr. Anand Kripalu$$	✓	NA*	NA*	NA*

*NA - Not Applicable

Corporate Governance Report (Continued)

$ Appointed as member of the Committee with effect from July 01, 2021.

$$ Stepped down as member with effect from June 30, 2021.

7.3 The CSR Report of the Company for the year ended March 31, 2022 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://www.diageoindia.com/investors/shareholder-centre/policies/corporate-social-responsibility-policy/

8. Remuneration of Directors

The details of remuneration paid to the directors during the financial year April 1, 2021 to March 31, 2022 are given below.

A. Executive Director

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 (w.e.f July 01, 2021)	Anand Kripalu, Managing Director and Chief Executive Officer (Up to June 30, 2021)
1.	Gross Salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,191	4,70,62,331	16,44,91,705
	(b) Value of perquisites u/s 17(2) of the Income Taxt Act, 1961	20,58,029	32,67,063
	(c) Profits in lieu of salary under section 17(3) of the Income Taxt Act, 1961		
2.	Stock Options/other stock related compensation		11,96,29,861
3.	Sweat Equity		
4.	Commission – as % of Profit Others – Specify		
5.	Others		-
	Total	**4,91,20,360**	**28,73,88,629***

* The remuneration paid to Mr. Anand Kripalu is for part of the year is in terms of approval of the members of the Company through postal ballot resolution effective January 18, 2019 effective August 14, 2019.

Note:

(i) The remuneration paid to Ms. Hina Nagarajan, Managing Director and Chief Executive Officer is in terms of approval of the members of the Company at the annual general meeting held on August 26, 2021 effective July 01, 2021.

(ii) The gross remuneration shown above does not include employer's contribution to various retirement funds.

(iii) The value of stock option granted by the parent Company Diageo PLC is included above.

B. Non-Executive Independent Directors

i. Sitting Fees have been paid to Non-Executive Directors for attending Board / Committee Meetings as specified in the table below. 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 2021-22.

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 crore p.a., as approved by the members of the Company at the 22nd Annual General Meeting held on August 26, 2021. Such commission is determined based on the recommendation of the Nomination and Remuneration Committee and as approved by the Board of Directors.

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

Corporate Governance Report (Continued)

iv. Details of sitting fees & commission paid to the Independent Directors approved by the Board of Directors for the financial year 2021-22 is given below:

(Amount in ₹)

Name of the Independent Director	Sitting fees	Commission	Total Remuneration
Mr. Mahendra Kumar Sharma	9,75,000	47,00,000	56,75,000
Mr. V K Viswanathan	12,50,000	39,00,000	51,50,000
Mr. D Sivanandhan	14,25,000	39,00,000	53,25,000
Mr. Rajeev Gupta	14,25,000	35,00,000	49,25000
Dr. (Mrs.) Indu Shahani	11,00,000	40,00,000	51,00,000
Total	**61,75,000**	**2,00,00,000**	**2,61,75,000**

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 any 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, 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
March 31, 2019	August 21, 2019	3.30 p.m.	Vivanta By Taj; No. 3, 41/3 M.G. Road, Bangalore – 560 001

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 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.
August 21, 2019	(i) Re-appointment of Mr. Anand Kripalu as Managing Director and Chief Executive Officer (ii) Re-appointment of Mr. Sivanandhan Dhanushkodi as Independent Director (iii) Re-appointment of Mr. Mahendra Kumar Sharma as Independent Director (iv) Re-appointment of Mr. Rajeev Gupta as Independent Director (v) Re-appointment of Dr. (Mrs.) Indu Ranjit Shahani as Independent Director (vi) Approval for granting Loans and Guarantees to Pioneer Distilleries Limited

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 which was required to be passed through Postal Ballot as per the provisions of the Companies Act, 2013 and the rules framed thereunder. No Special Resolution is proposed to be conducted through Postal Ballot as on date. No EGM was conducted during the year.

The Company has not passed any resolution through Postal Ballot during the financial year.

Corporate Governance Report (Continued)

Subsequent to the financial year ended on March 31, 2022, approval of the Members by way of an ordinary resolution is being sought for appointment of Mr. Mark Dominic Sandys as the Non-executive Non-Independent Director of the Company. The cut-off date being May 13, 2022. The e-voting started on May 18, 2022 at 10.00 hours IST and end on June 16 2022 at 17.00 hours IST. The Scrutinizer will submit his report to the Chairman or any other person authorized by him after completion of the scrutiny and the results of the e-voting by Postal Ballot will be announced on or before June 18, 2022. The Resolution, if passed by requisite majority shall be deemed to have been passed on June 16, 2022, being the last date specified by the Company for e-voting. The declared results along with the report of the Scrutinizer shall be forwarded to the BSE Limited and National Stock Exchange of India Limited and shall be uploaded on the website of the Company i.e. www.diageoindia.com and website of National Securities Depository Limited at https://www.evoting.nsdl.com/.

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/investors/financials/annual-and-financial-reports/. 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 to the extent applicable including 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	August 09, 2022 at 3.30 p.m. through video conference
C)	Financial year	April 1 to March 31
	Tentative Board Meeting calendar:	
	First Quarterly Results	July 26, 2022
	Second Quarterly Results	October 21, 2022
	Third Quarterly Results	January 24, 2023
	Audited yearly Financial Results	May 18, 2023
		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	August 02, 2022
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, (ii) National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Mumbai – 400 001 Bandra (East), Mumbai - 400 051.
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
K)	Registrars and Transfer Agents (RTA)	Integrated Registry Management Services Private Limited, 30, Ramana Residency, 4th Cross, Sampige Road, Malleswaram, Bangalore – 560 003 Tel. Nos. (080) 23460815-818 Fax No. (080) 23460819

Corporate Governance Report (Continued)

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 SEBI LODR Regulations, and other statutory regulations in this regard are being followed. Company's RTA also keeps records of such transfer/ transmission of shares.			
M)	Distribution of Shareholding	As per Annexure C			
N)	Dematerialisation of shares (as on March 31, 2022)	**Particulars**	**No. of holders**	**Shares**	**% of shares**
		Physical	7036	3873850	0.53%
		NSDL	93781	668991708	92.07%
		CDSL	140296	53773157	7.40%
		TOTAL	**241113**	**726638715**	**100.00%**
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.			
Q)	Plant locations – owned manufacturing units (operational)	1. Alwar (Rajasthan) 2. Asansol (West Bengal) 3. Aurangabad (Maharashtra) 4. Baramati (Maharashtra) 5. Gopalpur-On-Sea (Orissa) 6. Gulbarga (Karnataka) 7. Hyderabad I (Nacharam, Telangana) 8. Hyderabad II (Malkajgiri, Telangana) 9. Kumbalgodu (Karnataka) 10. Nasik-I (Maharashtra) 11. Nasik-II (Maharashtra) 12. Ponda (Goa) 13. Rosa (Uttar Pradesh) 14. Udaipur (Rajasthan) 15. Nimapara (Orissa)			
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, Bangalore – 560 003. Tel. Nos. (080) 2346 0815-818, 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, Bangalore – 560 001 Tel. Nos. (080) 4544 8000, Fax No. (080) 3985 6862			

Corporate Governance Report (Continued)

S)	Credit Ratings	For the year under review, there has been a significant improvement in your Company's overall financial flexibility, corporate governance and compliance framework. During the year, ICRA Limited re-affirmed the long-term rating at "AA+" and re-affirmed the short-term rating at "A1+". During the year, CRISIL upgraded the rating to "AAA/Stable" from "AA+". The short-term rating was also re-affirmed at "A1+". These ratings will enable the Company to access more economical sources of debt leading to lower interest cost and increased shareholder value.
T)	Email for investor grievances	In compliance with the provisions of Regulation 46(2)(j) of the SEBI (LODR) 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

12. Disclosures:

12.1 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.

12.2 For the past three financial years viz., from April 01, 2019 to March 31, 2022, the Company has complied with the statutory requirements comprised in the SEBI (LODR) 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.**

12.3 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 programme 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/PR1346/aws/media/13686/code-of-conduct-q2.pdf Our standard code for suppliers ("Partnering with Suppliers (PwS)") has been extended to suppliers and contractors the Company works with. PwS is available at https://www.diageo.com/PR1346/aws/media/13930/global-pws-standard-002.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 COVID-19 pandemic has created multiple different risks for our business. The spread has been rapid and the impact to the global economic outlook remains uncertain. Protecting our people and our business and supporting our suppliers, customers and communities have been at the forefront of our response to the pandemic. During this pandemic, the Company has reinforced its communications and awareness on key policies.

The Company has adopted a Whistle Blower mechanism known as SpeakUp. The compliance complaint can be

Corporate Governance Report (Continued)

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.

In compliance with SEBI (LODR) 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/PR1346/aws/media/13686/code-of-conduct-q2.pdf All Board members and senior management personnel have affirmed compliance with the code for the year ended March 31, 2022 and a declaration to this effect signed by the MD & CEO forms part of this report. Pursuant to the requirements of the SEBI (LODR) Regulations, it is affirmed that no person who has sought access to the Audit Committee has been denied such access.

12.4 Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:

The Company has complied with all the mandatory requirements of the SEBI (LODR) Regulations relating to Corporate Governance.

12.5 Policy on material subsidiaries

The Company's policy for determining material subsidiaries is available at the Company's website at https://www.diageoindia.com/investors/shareholder-centre/policies/policy-for-determining-material-subsidiaries/

12.6 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://www.diageoindia.com/investors/shareholder-centre/policies/policy-on-related-party-transactions/

12.7 Disclosure on utilization of proceeds of preferential issue and qualified institutional placement (QIP)

There were no issue of securities during the 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 directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority, pursuant to requirement under Clause (i) Para 10 Clause (C) of Schedule V of SEBI (LODR) Regulations, 2015. Copy of the Certificate and Declaration by the Chief Executive Officer pursuant to SEBI (LODR) 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

Pursuant to SEBI (LODR) Regulations, 2015, 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 – ₹ 49 Million

By the subsidiaries of United Spirits Limited – ₹ 7.7 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 26 of the Directors Report.

12.11 Other corporate governance requirements

Regulation 24 with respect to Independent Directors on Unlisted Material Subsidiaries is not applicable since the Company does not have material subsidiary Companies.

Regulation 26 with respect to Directors and Senior Management has been complied with to the extent applicable.

Regulation 27 with respect to Quarterly Compliance report has been complied with.

Regulation 46(2)(b) to Regulation 46(2)(i) pertaining to disseminating information on website has been complied with.

Requirements stipulated under Regulation 17 to 27 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of SEBI (LODR) Regulations, as applicable, with regard to corporate governance has been complied with by your Company.

Other requirements of Corporate Governance as per the SEBI (LODR) 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.

Corporate Governance Report (Continued)

13. Management discussion and analysis report

The Management Discussion & Analysis Report is appended to and forms an integral part of this Report.

14. Depository system

The trading in the equity shares of your Company is under compulsory dematerialization mode. As on March 31, 2022, equity shares representing 99.47% of the equity share capital are in dematerialized form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail the facility of dematerialization of the Company's shares. Moreover, 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.

15. Pursuant to Part F of Schedule V of the SEBI (LODR) Regulations, an Unclaimed Suspense Account was opened with Stock Holding Corporation of India Limited on February 14, 2013 and 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 share certificates were returned undelivered and 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. Physical 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, 2021	3,012	1,652,335
Shares added to the Unclaimed Suspense account during this year (Stock split of Undelivered shares)	Nil	Nil
Total Shares	3,012	1,652,335
Number of shareholders who approached issues for transfer of shares from Unclaimed Suspense Account during the year	38	26490
Number of shareholders to whom shares were transferred from Unclaimed Suspense Account during the year	38	26490
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, 2022	2974	1625845

Voting rights on the above unclaimed shares shall remain frozen until the rightful owner claims the shares

16. Discretionary Requirements

Pursuant to Regulation 27(1) and Part E of Schedule II of SEBI (LODR) 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

There are no qualifications in the Audit Report of the Statutory Auditors and the Secretarial Auditors for the year ended March 31, 2022.

Reporting of internal Auditor

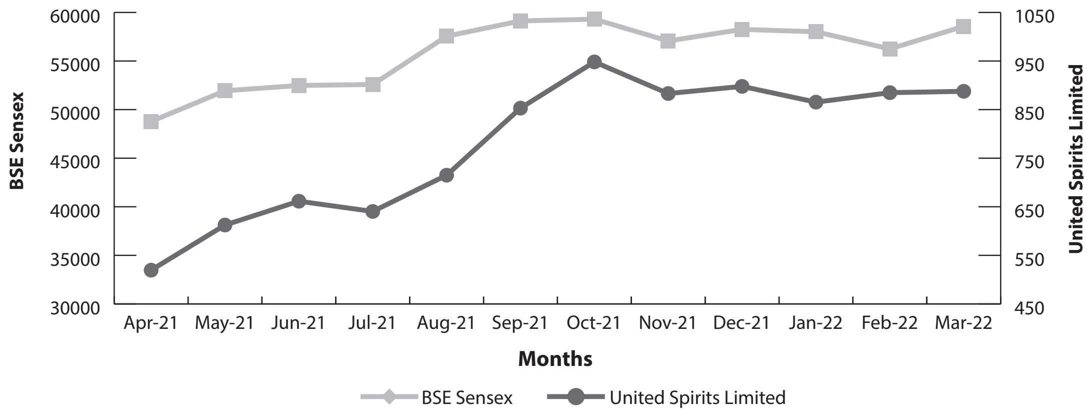
The internal auditor reports directly to the Audit Committee.

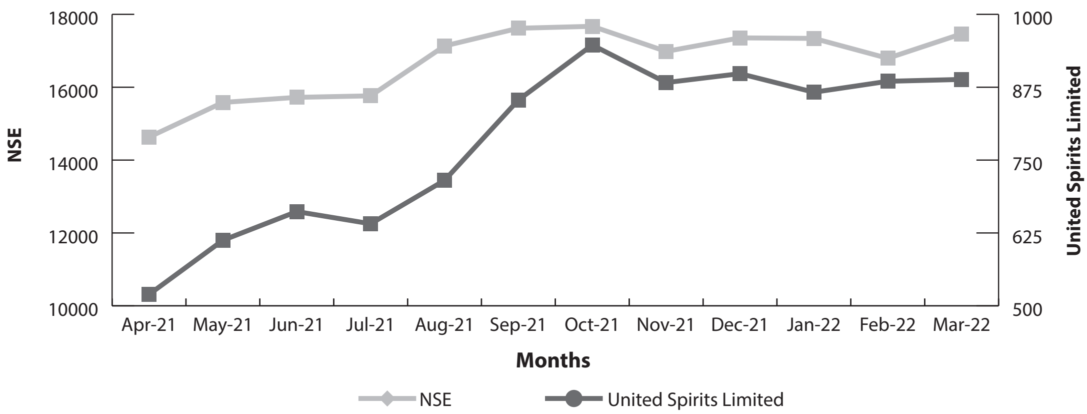
Corporate Governance Report (Continued)

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-21	560.00	562.05	507.60	519.50	14,42,984	Apr-21	559.00	561.90	507.50	519.55	29,514,000
May21	520.00	617.50	513.00	612.40	29,08,564	May21	517.00	617.65	512.55	612.45	50,343,000
Jun-21	618.00	683.00	609.80	661.45	38,39,526	Jun-21	616.00	684.00	609.75	661.65	48,617,000
Jul-21	662.00	690.00	629.35	640.35	1,46,17,323	Jul-21	664.00	690.00	629.10	640.75	38,319,000
Aug-21	645.60	732.00	629.50	714.95	23,30,929	Aug-21	647.00	731.60	629.70	715.15	53,621,000
Sep-21	720.00	865.50	702.45	853.05	34,57,174	Sep-21	719.00	865.95	702.25	853.10	70,204,000
Oct-21	858.00	963.00	811.85	948.15	35,86,838	Oct-21	855.00	963.40	811.20	947.35	70,289,000
Nov-21	967.80	1019.75	861.55	883.10	22,36,755	Nov-21	964.95	1,019.95	862.00	882.95	496,940,000
Dec-21	872.00	938.45	848.85	897.80	10,08,942	Dec-21	890.00	938.90	848.50	898.25	26,679,000
Jan-22	898.25	957.95	823.55	865.35	11,26,009	Jan-22	892.30	958.00	823.30	866.40	632,415,000
Feb-22	878.00	898.60	808.65	884.85	10,06,616	Feb-22	870.10	898.50	808.05	885.15	34,747,000
Mar-22	885.00	934.05	765.60	887.65	12,15,079	Mar-22	880.050	934.90	765.20	888.35	41,369,000

ANNEXURE B: UNITED SPIRITS LIMITED, SHARE PRICES COMPARED TO BSE SENSEX DURING THE FINANCIAL YEAR 2021-22





Corporate Governance Report (Continued)

USL CLOSE VS NSE NIFTY CLOSE DURING THE FINANCIAL YEAR 2021-22

ANNEXURE C: DISTRIBUTION OF HOLDINGS (AS ON MARCH 31, 2022) Value-wise

Value-wise				
Shareholding of nominal value	Shareholders		Share amount	
₹	Number	% to total	₹	% to total
Upto - 5,000	237540	98.52	64836428	4.46
5,001 - 10,000	1609	0.67	11732948	0.81
10,001 - 20,000	735	0.30	10739212	0.74
20,001 - 30,000	247	0.10	6155614	0.42
30,001 - 40,000	140	0.06	4935612	0.34
40,001 - 50,000	105	0.04	4747468	0.33
50,001 - 1,00,000	227	0.09	16070650	1.11
100,001 and above	510	0.22	1334059498	91.79
Total	241113	**100.00**	**1,45,32,77,430**	**100.00**

Snapshot of shareholding as on March 31, 2022 Category-wise		
Category	No. of Shares	% of equity Capital
Promoter	41,22,35,040	56.73
Resident Body corporates (including Clearing Members)	15155879	2.09
Banks/FIS/FII/MF/UTI Trust / Central /State Government & Insurance Companies	220962235	30.41
NRI/OCB/FCB/FOREIGN NATIONALS	3675072	0.51
Venture Capital	1410997	0.19
Resident Individuals	73199492	10.07
Total	**72,66,38,715**	**100.00**

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 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.

By Order of the Board

Mahendra Kumar Sharma
Chairman
DIN: 00327684

Place : Mumbai
Date : May 27, 2022

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, 2022.

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.

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, CP No. 6137
Peer Review Certificate No. 607/2019
UDIN: F006040D000387841

Place: Bangalore
Date: May 27, 2022

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, 2022 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: F006040D000387762

Place: Bangalore
Date: May 27, 2022

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, 2022.

Place : Ahmedabad
Date: May 27, 2022

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, 2022 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
Chief Financial Officer

Place: Bengaluru
Date: May 27, 2022

Hina Nagarajan
Managing Director and Chief Executive Officer

Place: Ahmedabad
Date : May 27, 2022

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, 2022, 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, 2022, and total comprehensive income (comprising of profit and other comprehensive income), 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 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 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 Matter

4. We draw attention to the following matters:

   a) As explained in Note 40(a) to the Standalone 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, 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 completion of Additional Inquiry certain regulatory notices and communications were received from Securities and Exchange Board of India, Directorate of Enforcement and Authorised Dealer banks 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) As explained in 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 INR 459 million demanded by the bank and as directed by the High Court of Karnataka (the "Court").

      Based on management assessment supported by external legal opinions, the Company has disclosed the aforesaid amount 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.

   c) As explained in Note 40(e) to the standalone financial statements, the Company identified certain information suggesting continuing past practices resulting in differences in reporting to the relevant regulatory authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process. The aforesaid note also describes the related actions taken and monitoring of future developments by the Company in this respect.

Independent Auditor's Report (Continued)

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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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, 2022, 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 management. 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 in respect of the 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 auditor's experts, where necessary, as follows: o For the samples selected, read the correspondences received during the year from the tax authorities/ orders from the appellate authorities. o Read and assessed the views provided by the management/ management tax experts as applicable. o Assessed management's position on significant tax exposures in accordance with the tax laws and past precedents of tax judgements. o Assessed completeness of litigations by inquiring with the management, and perusal of Board minutes. o Evaluated the objectivity, independence, competence and capabilities of the management tax experts. o 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.

Other Information

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Directors, Business Responsibility Report, Corporate Governance Report and Management Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Independent Auditor's Report (Continued)

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 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 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 judgment 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 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 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 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.

Independent Auditor’s Report (Continued)

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” 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 Flow 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, 2022 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 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:

    The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Notes 8, 17, 40(c), 40(d) and 42 to the standalone financial statements;

    The Company was not required to recognise a provision as at March 31, 2022 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, 2022.

    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.

    (a) The management has represented that, to the best of its 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 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 52 (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 the 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

Independent Auditor’s Report (Continued)

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 52 (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-clause (a) and (b) contain any material misstatement.

The Company has not declared or paid any dividend during the year.

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: 22057687AJSYKP6717

Place: Bengaluru
Date: May 27, 2022

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 as of and for the year ended March 31, 2022

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 financial statements of United Spirits Limited ("the Company") as of March 31, 2022 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 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 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 Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls 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 controls 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 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 controls 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 Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with

Annexure A to Independent Auditor's Report Continued)

reference to financial statements were operating effectively as at March 31, 2022, 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: 22057687AJSYKP6717

Place: Bengaluru
Date: May 27, 2022

Annexure B to Independent Auditor's Report

Referred to in paragraph 16 of the Independent Auditors' 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, 2022

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 and 3.2 to the standalone financial statements, are held in the name of the Company, except as disclosed in Appendix II .

(d) The Company has chosen the 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 the Company 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 as at year end. 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 Rs. 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 further investment in one company, investments in twelve mutual fund schemes, granted unsecured loans to two companies and other parties (employees), granted a secured loan to one company and granted an advance in the nature of a loan to one company. The aggregate amount during the year, and balance outstanding at March 31, 2022 with respect to such loans to subsidiaries, investments in mutual fund schemes, investment in a subsidiary and loans and advances in the nature of loans to parties other than subsidiaries are as per the table given below:

Description		Amount in INR in million
Aggregate amount granted/ provided during the year		
-	Investment in a wholly owned subsidiary	148
-	Loans to Subsidiaries	2,499
-	Loans to employees	17
-	Others (secured loan to a company)	100
-	Advance in the nature of a loan	54
-	Investment in mutual fund schemes	14,349
Balance outstanding as at March 31, 2022 in respect of the above case		
Investment in a wholly owned subsidiary		148
-	Loans to Subsidiaries	1,275
-	Loan to employees	12
-	Others (secured loan to a company)	100
-	Advance in the nature of a loan	54
-	Investment in mutual fund schemes	2,221

Also refer Notes 4, 5 and 6 to the standalone financial statements.

(b) In respect of the aforesaid loans granted, investments made or advances in the nature of loans, the terms and conditions under which such loans were granted, or investments were made are not prejudicial to the Company's interest.

Annexure B to Independent Auditor's Report Continued)

(c) In respect of the loans and an advance in the nature of a loan, as disclosed in notes 5 and 6 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 INR in million)

Name of the entity	Gross outstanding as at March 31, 2022	Net outstanding as at March 31, 2022
Asian Opportunities & Investments Limited	557	-
United Spirits (Shanghai) Trading Company Limited	22	-
USL Holdings UK Ltd	137	-

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 INR million	Due Date	Extent of delay	Remarks
Royal Challengers Sports Private Limited	13	July 31, 2021	60-199 days	Refer Note 5 to the standalone financial statements
United Breweries Holding Limited	12,378	One third of the loan to be repaid each on July 2, 2019, July 2, 2020 and July 2, 2021	9 months to 2 years and 9 months	Refer Notes 5 and 40(c) to the standalone financial statements

In respect of a secured loan to one Company and an advance in the nature of loan to another company, the repayment period commences after the balance sheet date and hence we are unable to comment on the regularity of repayment of principal and payment of interest.

(d) In respect of the following loans the total amount overdue for more than 90 days as at March 31, 2022 is Rs. 12,378 million. In such instance, in our opinion, reasonable steps have been taken by the Company for the recovery of the principal amounts and interest thereon. Refer Note 5 to the standalone financial statements.

In respect of the loans disclosed in Note 5 to the standalone financial statements, except for the following instance, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest as applicable.

No. of cases	Principal amount overdue in INR million	Interest overdue in INR million	Total overdue in INR million	Remarks (if any)
One	11,532	846	12,378	Refer Notes 5 and 40(c) to the standalone financial statements

Annexure B to Independent Auditor's Report Continued)

(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 parties	Aggregate amount of dues renewed or extended or settled by fresh loans in INR 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	1,578	64%

(Also refer Note 5 to the standalone financial statements)

(f) The loans and advances in the 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 are no loans granted during the year to 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 loans and investments. The Company has not provided any guarantees or 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 within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. The Central Government of India has not specified the maintenance of cost records under sub-section (1) of Section 148 of the Act for any of the products of the Company.

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 the undisputed statutory dues in respect of provident fund, tax deducted at source as per the Income Tax Act, 1961, sales tax, and value added tax though there has been a slight delay in a few cases and is regular in depositing other undisputed statutory dues including goods and services tax, employees' state insurance, 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 and entry tax as at March 31, 2022 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 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 explanations 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 associates. 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 associate companies. The Company has no joint ventures.

Annexure B to Independent Auditor's Report Continued)

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.

(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. 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 Section 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 52(xiv) to the standalone financial statements), ageing and expected dates of realisation of financial assets and payment of standalone financial liabilities, other information accompanying the standalone 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

Annexure B to Independent Auditor's Report Continued)

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. (Also refer Note 45 to the standalone financial statements).

(b) The Company did not undertake any ongoing projects and does not have any amount remaining unspent under Section 135(5) of the Act. Accordingly, reporting under this clause is not applicable. (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: 22057687AJSYKP6717

Place: Bengaluru
Date: May 27, 2022

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 Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2022

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR millions)	Financial year to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	8,505	2,774	5,731	2006-07 to 2008-09, 2010-11, 2011-12, 2016-17	Assessing Officer of Income Tax
Income Tax Act, 1961	Income Tax	-	-	-	2017-18	Dispute Resolution Panel (Refer note below)
Income Tax Act, 1961	Income Tax	357	336	21	2005-06, 2009-10	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	27,871	9,598	18,273	1988-89, 1989-90, 1991-92, 1992-93, 1993-94, 1995-96,2000-01, 2005-06, 2006-07, 2008-09, 2012-13 to 2015-16	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	9,021	728	8,293	1985-86 to 2004-05, 2011-12	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	1,149	57	1,091	2004-05 to 2006-07, 2008-09 to 2010-11, 2014 -2017	Customs Excise and Service Tax Appellate Tribunal
Service Tax - Finance Act 1994	Service Tax	2	-	2	2012-13	High Court of Kerala
Central Excise Act, 1944	Central Excise Duty	392	14	378	1994-95, 2012-2017	Commissioner of Central Excise
Central Excise Act, 1944	Central Excise Duty	2	-	2	1999-2000	Deputy Commissioner of Central Excise
Central Excise Act, 1944	Central Excise Duty	1,405	60	1,345	1997 to 2004	Customs Excise and Service Tax Appellate Tribunal
West Bengal Sales Tax Act, 1994	Sales Tax/ Value Added Tax	767	-	767	2002-03, 2014-2018	Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/ Value Added Tax	14	1	13	2017-18	Assessing Officer

Note – The Company has received a draft assessment order from the Assessing Officer during the current year and the Company has filed its objections with the Dispute Resolution Panel against the above draft order and there is no demand as at March 31, 2022.

Annexure B to Independent Auditor's Report Continued)

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR 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	9	5	4	1993-96, 2018-19	Commercial Tax Officer
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	936	51	885	1994-95 to 1996-97, 2005-06, 2006-07, 2009-10 to 2013-14, 2015-16 to 20-21	Assistant Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	40	1	39	2004-05, 2006-2012, 2013-14, 2015-16 to 2020-21	Additional Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	565	141	424	1985-86, 2006-08, 2010-12 and 2014-19	Deputy Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	2,191	519	1,672	2000-01 to 2018-19	Joint Commissioner of Commercial Taxes
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	206	19	187	1987-88, 1990-91, 1992-93 to 2000-01, 2004-05, 2005-06, 2007-08, 2009-10 to 2012-13	Commercial Taxes Appellate Tribunal
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	16	-	16	1993-94, 2003-04, 2005-06	Commercial Taxes Appellate Tribunal and Revisionary Board
Central and Various State Sales Tax Acts	Sales Tax/Value Added Tax	208	158	50	1978-79 to 1984-85, 1988-89, 1989-90, 1992-93, 1993-94, 1996-97 to 2001-02, 2007-08 and 2009-10 to 2011-12	High Courts of various states
Various Entry Tax Acts	Entry Tax	5	2	3	1989-90 and 2015-16	Assessing Officer
Various Entry Tax Acts	Entry Tax	7	1	6	2007-08 to 2009-10	Joint Commissioner of Commercial Taxes
Various Entry Tax Acts	Entry Tax	37	23	14	2004-05, 2007-08, 2009-10 and 2011-12	Commercial Taxes Appellate Tribunal
Various Entry Tax Acts	Entry Tax	337	15	322	2005-06, 2007-08 to 2013-14	High Court of various states
Various Entry Tax Acts	Entry Tax	17	14	3	2003-04 to 2007-08	Supreme Court
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	13	-	13	1993-94	Civil Court, West Bengal
Bengal Excise Act, 1909 and Bengal Excise (Amendment) Act, 2012	State Excise	1	-	1	1994-95 and 2014-15	Collector of State Excise, 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	66	33	33	2001-02, 2002-03, 2015-16	Principal Secretary Excise

Annexure B to Independent Auditor’s Report Continued)

Name of the statute	Nature of dues	Disputed amount (INR millions)	Amount paid (INR millions)	Unpaid Amount (INR millions)	Financial year to which the amount relates	Forum where the dispute is pending
Various State Excise Acts	State Excise	175	49	126	1963 -73, 1974 -92, 1993-94, 1995-96, 1998-99, 2001, 2012, 2015, 2016	Commissioner of State Excise
Various State Excise Acts	State Excise	1	1	1	1987-88	Additional Commissioner of Excise
Various State Excise Acts	State Excise	10	-	10	1994-95, 2001-02 and 2007-08	State Taxation tribunals
Various State Excise Acts	State Excise	249	110	139	1972-73, 1973-74, 1980-81, 1982-83, 1997-98, 1998-99, 2001-02, 2002-03, 2010-11, 2012-13 to 2015-16 and 2018-19	High Courts of various states
Various State Excise Acts	State Excise	1,506	84	1,422	1971-72, 1992-93, 1996-97, 2002-03, 2004-05, 2012-13	Supreme Court
Other Litigations	Stamp Duty	35	-	35	2019-2020	Commissioner
Other Litigations	Stamp Duty	10	-	10	1999-2000	High Court
Other Litigations	Property tax	5	-	5	2019-20	High Court
Other Litigations	Employee Provident Fund	7	-	7	2007-2008	High Court
Other Litigations	Water Charges	166	102	64	2001-2012	Supreme Court
Other Litigations	Octroi duty	24	-	24	1997-98	Supreme Court

* As represented by the management

‘0’ indicates that the amounts involved are below INR 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 Auditors' Report to the members of United Spirits Limited on the standalone financial statements as of and for the year ended March 31, 2022

The title deeds of immovable properties, as disclosed in Note 3.1 and Note 3.2 to the standalone financial statements (Property, plant, and equipment), are held in the name of the Company except as disclosed as below:

Description of property	Gross carrying value (INR millions)	Held in the name of	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	339	Refer Note 1 below	No	11 years	Refer note 1 below
Freehold Land in the state of West Bengal	24	Shaw Wallace Distilleries Limited	No	16 years	Refer note 2 below
Freehold Land in the state of Orissa	7	Poonam Distillery Ltd	No	16 years	Refer note 2 below
Freehold Land in the state of Bihar	24	McDowell & Company Limited	No	21 years	Refer note 2 below
Freehold Land in the state of Punjab	24	VRV breweries & Bottling Industries Ltd	No	16 years	Refer note 2 below
Freehold Land in the state of Uttar Pradesh	45	Carew & Company Limited	No	26 years	Refer note 2 below
Freehold Land in the state of Uttar Pradesh	3	Carew Phipson Limited	No	26 years	Refer note 2 below
Freehold Land in the state of Uttar Pradesh	1	McDowell & Company Limited	No	21 years	Refer note 2 below
Freehold Land in the state of West Bengal	17	McDowell & Company Limited	No	21 years	Refer note 2 below
Freehold Land in the state of West Bengal	9	Serampore Distillery and Chemical Company Limited	No	21 years	Refer note 2 below
Freehold Land in the state of Rajasthan	22	Udaipur Distillery Co. Ltd	No	21 years	Refer note 2 below
Freehold Land in the state of Gujarat	0 #	Herbertsons Ltd	No	16 years	Refer note 2 below
Freehold Land in the state of Maharashtra	271	Herbertsons Ltd.	No	16 years	Refer note 2 below
Freehold Land in the state of Maharashtra	271	McDowell & Company Limited	No	21 years	Refer note 2 below
Freehold Land in the state of West Bengal	0 #	Bengal Distilleries Co Ltd	No	13 years	Refer note 2 below
Freehold Land in the state of Delhi	1	McDowell & Company Limited	No	21 years	Refer note 2 below
Freehold Land in the state of Tamil Nadu	34	McDowell & Company Limited	No	21 years	Refer note 2 below

Annexure B to Independent Auditor's Report Continued)

Description of property	Gross carrying value (INR millions)	Held in the name of	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 the state of Tamil Nadu	2	McDowell & Company Limited	No	21 years	Refer note 2 below
Description of property	Gross carrying value (INR millions)	Held in the name of	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 the state of Madhya Pradesh	5	Vitari Distillery Pvt Ltd	No	21 years	Refer note 2 below
Leasehold Land in the state of Madhya Pradesh	10	Shaw Wallace Distilleries Limited	No	16 years	Refer note 2 below
Leasehold Land in the state of Rajasthan	12	Udaipur Distillery Co. Ltd	No	21 years	Refer note 2 below
Freehold Land in the state of Telangana	630	Shaw wallace & Co. Ltd.	No	13 years	Refer notes 2 and 3 below
Freehold Land in the state of West Bengal	172	Carew & Co. Ltd and Carew Phipson Co. Ltd.	No	21 years	Refer notes 2 and 3 below
Freehold Land in the state of Kerala	11	McDowell & Company Limited	No	21 years	Refer notes 2 and 3 below
Freehold Land in the state of Karnataka	92	Pampasar Distillery Limited	No	16 years	Refer notes 2 and 3 below
Freehold Land in the state of Uttar Pradesh	50	Central Distillery and chemical works Ltd	No	16 years	Refer notes 2 and 3 below
Freehold Land in the state of Kerala	17	Kerala Distilleries & Allied Products	No	16 years	Refer notes 2 and 3 below
Freehold Land in the state of Goa	45	McDowell & Company Limited	No	21 years	Refer notes 2 and 3 below
Freehold Land in the state of Goa	46	McDowell & Company Limited	No	19 years	Refer notes 3 and 5 below
Freehold Land in the state of Karnataka	90	McDowell & Company Limited	No	21 years	Refer notes 2 and 3 below
Leasehold Land in the state of Kerala	10	McDowell & Company Limited	No	21 years	Refer notes 2 and 3 below
Freehold Land in the state of West Bengal	216	Shaw Wallace & Co Ltd.	No	14 years	Refer notes 2 and 4 below

'0' indicates that the amounts involved are below INR five lakhs and the sign '-' indicates that amounts are Nil.

1. The Company has an agreement to sell and is litigating for execution of sale deed.
2. Held in the name of erstwhile transferor companies which were amalgamated with the Company through approved Court Schemes. Refer note 3.1(c) in the standalone financial statements.
3. These properties are under hypothecation with a bank. Refer note 3.1(c) and note 40(e) in 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. Refer note 0033.1(c) in the standalone financial statements.
5. McDowell & Company Limited name has been changed to United Spirits Limited w.e.f. October 17, 2006. Refer note 3.1(c) in the standalone financial statements.
6. Refer notes 3.1, 3.2 and 33 to the standalone financial statements.

Balance Sheet

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2022	As at March 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	10,160	11,048
Right-of-use assets	3.2	2,606	1,644
Capital work-in-progress	3.3	817	781
Intangible assets	3.4	246	316
Intangible assets under development	3.5	80	84
Financial assets			
Investments in subsidiaries and associate	4.1	2,169	2,021
Loans	5	-	1,583
Other financial assets	6	863	951
Deferred tax assets (net)	7	1,478	1,711
Current tax assets (net) (Non-current)	8	12,049	10,367
Other non-current assets	9	2,215	2,914
Total non-current assets		**32,683**	**33,420**
Current assets			
Inventories	10	20,771	19,810
Financial assets			
Investments	4.2	2,221	-
Trade receivables	11	23,021	21,601
Cash and cash equivalents	12.1	270	492
Bank balances other than cash and cash equivalents	12.2	58	61
Loans	5	1,387	863
Other financial assets	6	559	2,189
Other current assets	9	3,183	2,976
Total current assets		**51,470**	**47,992**
Total assets		**84,153**	**81,412**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	1,453	1,453
Other equity			
Reserves and surplus	14	47,564	39,815
Total equity		**49,017**	**41,268**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Lease liabilities	3.2	1,341	925
Provisions	17	132	75
Total non-current liabilities		**1,473**	**1,000**

Balance Sheet (Continued)

(All amounts in INR Millions unless otherwise stated)

	Notes	As at March 31, 2022	As at March 31, 2021
Current liabilities			
Financial liabilities			
Borrowings	15	-	5,556
Lease liabilities	3.2	1,296	653
Trade payables	18		
(A) total outstanding dues of micro and small enterprises		777	640
(B) total outstanding dues of creditors other than micro and small enterprises		14,271	13,173
Other financial liabilities	16	1,889	1,921
Provisions	17	4,576	5,379
Current tax liabilities (net)	8	2,765	3,225
Other current liabilities	19	8,089	8,597
Total current liabilities		**33,663**	**39,144**
Total liabilities		**35,136**	**40,144**
Total equity and liabilities		**84,153**	**81,412**

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: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Statement of Profit and Loss

(All amounts in INR Millions unless otherwise stated)

	Notes	For the year ended March 31, 2022	For the year ended March 31, 2021
INCOME			
Revenue from operations	20	307,311	271,764
Other income	21	415	478
Total income		**307,726**	**272,242**
EXPENSES			
Cost of materials consumed	22	47,992	39,886
Purchase of stock-in-trade		5,773	3,494
Change in inventories of finished goods, work-in-progress and stock-in-trade	23	(861)	1,302
Excise duty		213,494	192,872
Employee benefits expense	24	6,335	5,404
Depreciation, amortisation and impairment expense	25	2,542	2,493
Others:			
Advertisement and sales promotion		6,892	5,484
Loss allowance on trade receivables and other financial assets (net)	31	(129)	484
Other expenses	26	12,708	12,961
Finance costs	27	649	1,658
Total expenses		**295,395**	**266,038**
Profit before exceptional items and tax		**12,331**	**6,204**
Add/ (Less): Exceptional items, net	28	(2,091)	(1,514)
Profit before tax		**10,240**	**4,690**
Tax expense:	29		
Current tax		2,593	1,764
Current tax relating to earlier years		(243)	(37)
Deferred tax (credit) / charge		192	(140)
Total tax expense		**2,542**	**1,587**
Profit for the year		**7,698**	**3,103**
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	164	76
(ii) Income tax credit / (charge) relating to these items		(41)	(19)
Other comprehensive income for the year, net of tax		**123**	**57**
Total comprehensive income for the year		**7,821**	**3,160**
Basic and diluted earnings per share (in ₹)	30	10.59	4.27

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: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Statement of Changes in Equity

A. Equity

Particulars	Note	Amount
Equity share capital As at April 1, 2020	**13**	**1,453**
Changes in equity share capital		-
Equity share capital As at March 31, 2021	**13**	**1,453**
Changes in equity share capital		-
Equity share capital As at March 31, 2022	**13**	**1,453**

B. Other equity

		Reserves and surplus								
Particulars	Note	Capital reserve	Capital redemption reserve	Securities premium account	Central subsidy	Share based incentive reserve	Contingency reserve	General reserve	Retained earnings	Total
Balance as at April 1, 2020	**14**	**683**	**699**	**45,682**	**2**	**58**	**110**	**11,033**	**(21,623)**	**36,644**
Profit for the year		-	-	-	-	-	-	-	3,103	3,103
Other Comprehensive income (OCI), net of tax		-	-	-	-	-	-	-	57	57
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,160**	**3,160**
Share based payments	34	-	-	-	-	70	-	-	-	70
Cross charge by a Diageo group company during the year towards share based payments	36(b)(xiv)	-	-	-	-	(59)	-	-	-	(59)
Balance as at March 31, 2021	**14**	**683**	**699**	**45,682**	**2**	**69**	**110**	**11,033**	**(18,463)**	**39,815**
Profit for the year		-	-	-	-	-	-	-	7,698	7,698
Other Comprehensive income (OCI), net of tax		-	-	-	-	-	-	-	123	123
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,821**	**7,821**
Share based payments	34	-	-	-	-	52	-	-	-	52
Cross charge by a Diageo group company during the year towards share based payments	36(b)(xiv)	-	-	-	-	(124)	-	-	-	(124)
Balance as at March 31, 2022	**14**	**683**	**699**	**45,682**	**2**	**(3)**	**110**	**11,033**	**(10,642)**	**47,564**

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: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Statement of Cash Flows

(All amounts in INR Millions unless otherwise stated)

		Notes	For the year ended March 31, 2022		For the year ended March 31, 2021	
A.	CASH FLOW FROM OPERATING ACTIVITIES					
	Profit before tax			10,240		4,690
	Adjustments for					
	Depreciation, amortisation and impairment expense	25	2,542		2,493	
	Employee share-based payment expense	24	255		66	
	Loss/Less allowance on trade receivables and other financial assets (net)	31	(129)		484	
	Provision on doubtful other assets (net)	27	158		59	
	Exchange gain (net) on translation of foreign currency monetary assets and liabilities		(4)		11	
	Finance costs	27	649		1,658	
	Liabilities/ provisions no longer required written back	21	-		(82)	
	Gain on disposal of property, plant and equipment (net)	21	(123)		(165)	
	Interest income	21	(272)		(230)	
	Exceptional items	28	2,091		1,514	
				5,167		5,808
	Operating profit before changes in working capital			15,407		10,498
	(Increase) / decrease in trade receivables		(1,603)		913	
	(Increase) / decrease in other financials assets		1,706		735	
	(Increase) / decrease in other assets		(679)		614	
	(Increase) / decrease in inventories		(961)		(1,449)	
	Increase / (decrease) in trade payables		821		2,032	
	Increase / (decrease) in other financial liabilities		162		315	
	Increase / (decrease) in other liabilities		(599)		4,623	
	Increase / (decrease) in provisions		(906)	(2,059)	253	8,036
	Cash generated from operations			13,348		18,534
	Income taxes paid (net of refund)			(4,463)		(1,252)
	Net cash generated from operating activities (A)			8,885		17,282
B.	CASH FLOW FROM INVESTING ACTIVITIES					
	Purchase of property, plant and equipment and intangible assets		(1,152)		(1,411)	
	Advance lease payments for right-of-use assets		-		(148)	
	Proceeds from sale of property, plant and equipment		374		349	
	(Purchase) / redemption of current Investments (net)		(2,221)		-	
	Investment in a subsidiary		(148)		-	
	Investment in an associate		-		(20)	
	Proceeds from sale / disposal of investment in subsidiaries		-		300	
	Remittance upon liquidation of a subsidiary	28(a)	89		-	
	Proceeds from disposal of investment in an associate	28(b)	5		-	
	Loans given to subsidiaries	36(b)(xvii)	(2,499)		(1,525)	
	Loans given to others		(100)		-	
	Repayment of loans by subsidiaries	36(b)(xviii)	3,210		2,398	
	Interest received		170		191	
	Net cash inflow from investing activities (B)			(2,272)		134

Statement of Cash Flows (Continued)

(All amounts in INR Millions unless otherwise stated)

		Notes	For the year ended March 31, 2022		For the year ended March 31, 2021	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Repayment of long term loans		-		(7,500)	
	Net proceeds / (repayment) of working capital loans	15	(5,556)		(7,674)	
	Interest paid on borrowings	15	(158)		(1,058)	
	Principal repayment of lease liabilities	15	(1,002)		(807)	
	Interest paid on lease liabilities	15	(119)		(156)	
	Net cash outflow from financing activities (C)			**(6,835)**		**(17,195)**
	Net increase / (decrease) in cash and cash equivalents [D = A+B+C]			**(222)**		**221**
	Cash and cash equivalents as at the beginning of the year (E)			**492**		**271**
	Effects of exchange rate changes on cash and cash equivalents			0		0
	Net increase / (decrease) in cash and cash equivalents			(222)		221
	Cash and cash equivalents as at the end of the year [D+E]	12.1		**270**		**492**
	Note:					
	Non-cash financing and investing activities					
	Acquisition of right of use assets	3.2		2,292		490
	Conversion of loan to investment in equity shares			-		56,267

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: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

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 27, 2022.

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 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 Company has adopted the following amendments to Ind AS standards from April 1, 2021:

- Extension of COVID-19 related concessions – amendments to Ind AS 116
- Interest rate benchmark reform – amendments to Ind AS 109, Financial Instruments, Ind AS 107, Financial Instruments: Disclosures, Ind AS 104, Insurance Contracts and Ind AS 116, Leases.

The amendments listed above did not have any impact on the amounts recognised in current and prior periods and are not expected to significantly affect any future periods.

(iv) Amendments to standards issued but not yet effective

The Ministry of Corporate Affairs has vide notification dated 23 March 2022 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amended the following accounting standards. These amendments are effective from April 01,2022 and early adoption is permitted in some cases.

- Ind AS 16, Property Plant and equipment
- Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets
- Ind AS 101, First time adoption of Indian Accounting Standards
- Ind AS 103, Business Combinations
- Ind AS 109, Financial Instruments
- Ind AS 41, Agriculture

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 (INR), 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

Notes to the Financial Statements (Continued)

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 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	30 - 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 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.

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.

Notes to the Financial Statements (Continued)

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.

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

Notes to the Financial Statements (Continued)

- 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 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.

1.6 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, a financial asset is 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 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.

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

Notes to the Financial Statements (Continued)

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 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) Offsetting 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.

1.7 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

Notes to the Financial Statements (Continued)

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.

1.8 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.

1.9 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.

1.10 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

Notes to the Financial Statements (Continued)

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 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.

1.11 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

Notes to the Financial Statements (Continued)

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.

1.12 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.

1.13 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.

1.14 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

1.15 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.

Notes to the Financial Statements (Continued)

Other borrowing costs are expensed in the period in which they are incurred.

1.16 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.

1.17 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.

1.18 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.

1.19 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 49
- Impairment of trade receivables- Note 31
- Impairment of loans to subsidiaries – Notes 5, 31 and 36

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 INR Millions unless otherwise stated)

3.1 Property, Plant and Equipment

	Owned						Total
	Freehold Land [Refer Notes (a), (c) and (d) below]	Buildings [Refer Notes (b), (c) and (d) below]	Plant and Equipment [Refer Note (d) below]	Furniture and Fittings	Office Equipment	Vehicles	
Year ended March 31, 2021							
Gross carrying amount							
Opening	2,536	3,774	9,522	505	558	15	16,910
Additions	-	270	1,302	-	10	-	1,582
Disposals	(44)	(136)	(352)	(15)	(11)	-	(558)
Closing gross carrying amount	**2,492**	**3,908**	**10,472**	**490**	**557**	**15**	**17,934**
Accumulated depreciation and impairment							
Opening	-	808	4,292	345	381	15	5,841
Depreciation charge during the year	-	200	1,037	30	82	-	1,349
Impairment during the year	-	-	70	-	-	-	70
Disposals	-	(54)	(295)	(15)	(10)	-	(374)
Closing accumulated depreciation and impairment	**-**	**954**	**5,104**	**360**	**453**	**15**	**6,886**
Net carrying amount as at March 31, 2021	**2,492**	**2,954**	**5,368**	**130**	**104**	**-**	**11,048**
Year ended March 31, 2022							
Gross carrying amount							
Opening	2,492	3,908	10,472	490	557	15	17,934
Additions	-	146	724	8	167	0	1,046
Disposals	(17)	(50)	(1,000)	(67)	(19)	-	(1,153)
Closing gross carrying amount	**2,475**	**4,004**	**10,196**	**431**	**705**	**15**	**17,827**
Accumulated depreciation and impairment							
Opening	-	954	5,104	360	453	15	6,886
Depreciation charge during the year	-	191	1,069	22	60	0	1,343
Impairment during the year [refer note (d) below]	159	175	6	-	-	-	340
Disposals	-	(22)	(804)	(57)	(19)	-	(902)
Closing accumulated depreciation and impairment	**159**	**1,298**	**5,375**	**325**	**494**	**15**	**7,667**
Net carrying amount as at March 31, 2022	**2,316**	**2,706**	**4,821**	**106**	**211**	**-**	**10,160**

Notes:

(a) Land includes: (i) gross carrying amount of ₹ 2,129 million (2021: ₹ 2,368 million) in respect of which the title deeds are in the name of erstwhile merged entities; (ii) gross carrying amount of ₹ 568 million (2021: ₹ 585 million) in respect of which the Company is in possession of photocopies of title deeds.

(b) Building includes: (i) gross carrying amount of ₹ 960 million (2021: ₹ 1,397 million) in respect of which the title deeds are in the name of erstwhile merged entities; (ii) gross carrying amount of ₹ 633 million (2021: ₹ 633 million) in respect of which the Company is in possession of photocopies of title deeds; (iii) gross carrying amount of ₹ 339 million (2021: ₹ 339 million) in respect of which the Company has initiated litigation for execution of sale deed in favour of the Company.

(c) In respect of certain freehold land and buildings acquired through amalgamation, the title deeds are held in the name of the erstwhile transferor companies. The Company has possession of title documents and other supporting evidence to establish company's ownership of such properties. The Company is also regular in payment of property taxes on these properties. In relation to one freehold building, the Company has entered into an agreement to sell and has initiated a litigation to execute the sale deed.

(d) The Company has accounted an impairment provision of INR 340 million (2021: INR 70 million) on property, plant and equipment. Refer note 48(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 aquiring the right of occupation.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Property, plant and equipment pledged as security

Refer Note 33 for information on property, plant and equipment pledged as security by the Company.

3.2 Leases

This note provides information for leases where the Company is a lessee. The Company takes 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

	March 31, 2022	March 31, 2021
Right-of-use assets		
Leasehold land	80	81
Buildings	158	478
Plant and equipment	2,252	957
Office equipment	116	128
Total	**2,606**	**1,644**
Movement of right-of-use assets during the year		
Opening right-of-use assets	1,644	1,975
Additions	2,292	638
Depreciation for the year	(1,099)	(899)
Deletions to right-of-use assets	(231)	(70)
Closing right-of-use assets	**2,606**	**1,644**
Lease Liabilities		
Current	1,296	653
Non-current	1,341	925
Total	**2,637**	**1,578**

(ii) Amounts recognised in the Statement of Profit and Loss

		Notes	For the period ended March 31, 2022	For the year ended March 31, 2021
(a)	**Depreciation charge of right-of-use assets**	25		
	Leasehold land		1	1
	Buildings		211	264
	Plant and equipment		805	529
	Office equipment		82	105
	Total		**1,099**	**899**
(b)	Interest expenses (included in finance cost)	27	119	156
(c)	Lease related expenses included in Rent expenses	26		
	Short term leases		59	68
	Leases of low value assets		1	67
	Variable lease payments (not included in lease liabilities)		2,547	2,245
	Total		**2,607**	**2,380**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(iii) The total cash outflow for leases for the year ended March 31, 2022 was ₹ 3,728 million (2021:₹ 3,343 million).This excludes advance lease payments amounting to Nil (2021: ₹ 148 million) in respect of one leasing arrangement, representing lease payments for approximately 12 months, which has been presented as a cash outflow under investing activities in the statement of cashflows.

Notes:

(a) Additons to the right-of-use assets for year ended March 31, 2022 aggregate to ₹ 2,292 million (2021: ₹ 638 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, termination costs of leasing arrangements, 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) net carrying amount of ₹ 10 million (2021: ₹ 35 million) in respect of which the lease deeds are in the name of erstwhile merged entities [gross carrying amount of the above leasehold land is ₹ 32 million (2021: ₹ 32 million)]; (ii) net carrying amount of ₹ 4 million (2021: ₹ 4 million) in respect of which the Company is in possession of photocopies of lease deeds.

(e) Building on Leasehold land includes: (i) net carrying amount of ₹ 73 million (2021: ₹ 212 million) in respect of which the lease deeds are in the name of erstwhile merged entities (ii) net carrying amount of ₹ 56 million (2021: ₹ 62 million) in respect of which the Company is in possession of photocopies of lease deeds.

3.3 Capital work-in-progress

Movement of Capital work-in-progress set-out below :

	March 31, 2022	March 31, 2021
Opening capital work-in-progress	781	1,017
Additions	1,082	1,346
Assets capitalised during the year	(1,046)	(1,582)
Closing capital work-in-progress	**817**	**781**

The ageing schedule for capital work in progress is set-out below :

Projects in progress	March 31, 2022	March 31, 2021
Less than 1 year	592	631
1-2 years	202	125
2-3 years	23	25
Total	**817**	**781**

There were no projects under suspension as at March 31 , 2022 and March 31, 2021.

CWIP schedule for projects whose completion is overdue or has exceeded its cost compared to its original plan is set-out below :

	March 31, 2022	March 31, 2021
Less than 1 year		
Health, Safety and Environment protection projects	68	252
Productivity improvement projects	258	69
Others	185	130
Total	**511**	**451**

There were no projects which are expected to be completed after the expiry of one year as at March 31, 2022 and March 31, 2021.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

3.4 Intangible assets

	Brands	License	Computer Software	Total
Year ended March 31, 2021				
Gross carrying amount				
Opening	9	38	383	430
Additions to internally developed intangible assets	-	-	151	151
Acquired during the year	-	-	37	37
Disposals	-	-	(103)	(103)
Closing gross carrying amount	**9**	**38**	**468**	**515**
Accumulated amortisation and impairment				
Opening	9	18	100	127
Amortisation charge for the year	-	3	103	106
Impairment charge during the year	-	-	69	69
Disposals	-	-	(103)	(103)
Closing accumulated amortisation and impairment	**9**	**21**	**169**	**199**
Net carrying amount as at March 31, 2021	**-**	**17**	**299**	**316**
Year ended March 31, 2022				
Gross carrying amount				
Opening	9	38	468	515
Additions to internally developed intangible assets	-	-	30	30
Acquired during the year	-	-	-	-
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
Impairment charge during the year	-	-	-	-
Disposals	-	-	-	-
Closing accumulated amortisation and impairment	**9**	**24**	**266**	**299**
Net carrying amount as at March 31, 2022	**-**	**14**	**232**	**246**

Note:

a. Brands have indefinite life and remaining useful life of the license is 4.5 years and of computer software ranges from 1 to 5 years.

3.5 Intangible assets under development

Movement of intangible assets under development is set-out below :

	As at March 31, 2022	As at March 31, 2021
Opening intangible assets under development	84	170
Additions	26	102
Intangible assets capitalised during the year	(30)	(188)
Closing intangible assets under development	**80**	**84**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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 :

Projects in progress	March 31, 2022	March 31, 2021
Less than 1 year	6	84
1-2 years	74	-
Total	**80**	**84**

There were no projects under suspension as at March 31, 2022 and March 31, 2021.

Intangible assets under development projects whose completion is overdue or has exceeded its cost compared to its original plan is set-out below :

	March 31, 2022	March 31, 2021
Less than 1 year		
ERP related development project	39	36
Business application related development project	27	24
Others	-	6
Total	**66**	**66**

There were no projects which are expected to be completed after the expiry of one year as at March 31, 2022 and March 31, 2021.

4.1 Investments in subsidiaries and associate

		Face value	Number of shares	As at March 31, 2022	Number of shares	As at March 31, 2021
a)	**Investments in subsidiaries**					
	Investment in equity instruments carried at cost (fully paid-up) [Refer Note (b) below]					
	Quoted					
	Pioneer Distilleries Limited	₹ 10/-	10,041,150	-	10,041,150	-
	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/-	499,889,152	4,415	485,139,152	4,267
	Less: Impairment in the value of investment (Refer Note 35)			(3,990)		(3,990)
				425		**277**
	Asian Opportunities & Investments Limited	USD 1/-	4,998,706	-	4,998,706	-
	Palmer Investment Group Limited	USD 1/-	15,000,000	-	15,000,000	-
	Montrose International S.A	USD 1000/-		-	500	-
	USL Holdings Limited	USD 1/-	766,640,114	-	766,640,114	-
	United Spirits (Shanghai) Trading Company Limited	RMB 10	500,000	-	500,000	-
	Royal Challengers Sports Private Limited	₹ 10/-	14,690	421	14,690	421

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

		Face value	Number of shares	As at March 31, 2022	Number of shares	As at March 31, 2021
	Total investments in equity instruments			**972**		**824**
b)	**Investment in associate**					
	Investment in equity instruments carried at cost (fully paid-up)					
	Hip Bar Private Limited	₹ 10/-	-	-	4,567,568	270
	Less: Impairment in the value of investment (Refer Note 35)			-		(270)
	Investment in compulsary convertible preference shares (CCPS) carried at fair value through profit and loss (fully paid-up)					
	Hip Bar Private Limited [Refer note (c) below]	₹ 10/-	-	-	1,950,000	-
c)	**Investment in trust controlled by the Company**					
	Investment as sole beneficiary in USL Benefit Trust [Refer Note (a) below]			1,197		1,197
				2,169		**2,021**
	Aggregate amount of quoted investments			-		-
	Aggregate market value of quoted investments			1,743		1,081
	Aggregate amount of unquoted investments			6,159		6,281
	Aggregate amount of impairment in the value of investments (Refer Note 35)			(3,990)		(4,260)

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 13(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 subsidiaries and the associate at cost in accordance with Ind AS 27.

(c) On October 1, 2020, Company invested ₹ 20 million in CCPS issued by Hip Bar Private Limited, which has been carried at fair value through profit and loss. The Company had recognised a fair value loss of ₹ 20 million during the year ended March 31, 2021. The Company has sold its investment in Hipbar Private Limited during the year ended March 31, 2022. Refer Note 28(k).

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

4. 2 Investments in Mutual funds

Quoted	Face value	Number of shares	As at March 31, 2022	Number of shares	As at March 31, 2021
Aditya Birla Sun Life Liquid Fund-Direct Growth	343.13	612,177	210	-	-
Axis Liquid Fund-Direct Growth	2,364.08	88,852	210	-	-
HDFC Liquid Fund-Direct Growth	4,184.74	44,226	185	-	-
HDFC Overnight Fund-Direct Growth	3,157.45	39,604	125	-	-
ICICI Prudential Liquid Fund-Direct Growth	315.26	602,927	190	-	-
ICICI Prudential Overnight Fund-Direct Growth	114.61	2,050,766	235	-	-
Kotak Liquid Fund-Direct Growth	4,303.08	46,497	200	-	-
Kotak Overnight Fund-Direct Growth	1,133.80	105,890	120	-	-
Nippon India Liquid Fund-Direct Growth	5,208.03	40,333	210	-	-
SBI Liquid Fund-Direct Growth	3,333.09	60,027	200	-	-
SBI Overnight Fund-Direct Growth	3,461.35	36,181	126	-	-
UTI Liquid Cash Plan-Direct Growth	3,488.04	60,222	210	-	-
Aggregate market value of quoted investments			**2,221**	**-**	**-**
Aggregate amount of quoted investments			2,221		-
Aggregate market value of quoted investments			2,221		-

5. Loans

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Loans				
Loan to UBHL [Refer Note 40(c)]	-	12,378	-	12,452
Loans to subsidiaries [Note 36(c)(vi)]	1,275	2,655	850	3,722
Loans to employees	12	-	13	-
Loan to others	100	-	-	-
	1,387	**15,033**	**863**	**16,174**
Less: Loss allowance				
Loan to UBHL [Refer Note 40(c)]	-	(12,378)	-	(12,452)
Loans to subsidiaries [Note 36(c)(vii)]	-	(2,655)	-	(2,139)
	-	**(15,033)**	**-**	**(14,591)**
Total loans	**1,387**	**-**	**863**	**1,583**

	As at March 31, 2022	As at March 31, 2021
Details of securities/ categorisation of credit risk on loans		
Loans considered good- secured	-	-
Loans considered good- unsecured	1,387	2,827
Loans which have significant increase in credit risk	-	-

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Loans- credit impaired	15,033	14,210
Total	**16,420**	**17,037**
Less: Loss allowance	(15,033)	(14,591)
Total Loans	**1,387**	**2,446**

Refer Note 31 for information about financial risk management.

6. Other financial assets

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Balances with banks [Refer Note below]	-	792	-	792
Receivable from related parties [Refer Note 36(c)(i)]	48	-	62	-
Receivable from Tie-up manufacturing units	991	109	2,470	348
Security deposits	228	71	247	159
Other receivables	18	134	14	134
	1,285	**1,106**	**2,793**	**1,433**
Less: Loss allowance				
Receivable from Tie-up manufacturing units	(599)	(109)	(485)	(348)
Security deposits	(107)	-	(105)	-
Other receivables	(20)	(134)	(14)	(134)
	(726)	**(243)**	**(604)**	**(482)**
Total other financial assets	**559**	**863**	**2,189**	**951**

Note

Balance with banks comprise of:

(a) Deposit of ₹ 459 million (2021: ₹ 459 million) with a bank in suspense account (Refer Note 40(d)).

(b) Fixed deposits of ₹ 327 million (2021: ₹ 321 million) with a bank kept under escrow pending resolution of various taxation matters.

(c) Margin money against bank guarantees ₹ 1 million (2021: ₹ 1 million).

(d) Represents Bank deposits under lien in respect of bank gurantees provided to tax authorities ₹ 5 million (2021: ₹ 11 million)

Refer Note 31 for information about financial risk management.

7. Deferred tax assets (net)

	As at March 31, 2022	As at March 31, 2021
Deferred tax assets		
Allowance for doubtful receivable balances	795	834
Provisions allowed on payment basis	833	1,098
Indexation benefit on land	74	74
Lease liabilities	26	254
Others	69	80
	1,797	**2,340**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	As at March 31, 2022	As at March 31, 2021
Deferred tax liabilities		
Difference between carrying amount and tax base of property, plant and equipment and intangible assets	293	378
Right-of-use assets	26	251
	319	**629**
Total Deferred tax assets (net)	**1,478**	**1,711**

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	Others	Total
At March 31, 2020	**944**	**1,027**	**(484)**	**80**	**495**	**(477)**	**5**	**1,590**
(Charged) / Credited:								
- to profit and loss	(110)	90	106	(6)	(241)	226	75	140
- to other comprehensive income	-	(19)	-	-	-	-	-	(19)
At March 31, 2021	**834**	**1,098**	**(378)**	**74**	**254**	**(251)**	**80**	**1,711**
(Charged) / Credited:								
- to profit and loss	(39)	(224)	85	-	(228)	225	(11)	(192)
- to other comprehensive income	-	(41)	-	-	-	-	-	(41)
At March 31, 2022	**795**	**833**	**(293)**	**74**	**26**	**(26)**	**69**	**1,478**

8. Income tax balances

	As at March 31, 2022	As at March 31, 2021
Current tax liabilities (net of advance tax)	2,765	3,225
Non-current tax assets (net of provision for current tax)	12,049	10,367
Closing balance	**9,284**	**7,142**

Notes:

The above amounts include amounts paid under protest of ₹ 13,437 million (2021: ₹ 10,271 million) pertaining to various assessment years.

9. Other assets

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Capital advances	-	65	-	67
Balances with government authorities (Refer Note below)				
Considered good	977	1,815	519	1,757
Considered doubtful	47	162	40	65
Trade advance to a subsidiary [Refer Note 36(c)(ii)]	795	-	723	-

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Advances to suppliers				
Considered good	365	-	448	-
Considered doubtful	53	777	60	734
Net surplus in gratuity plan [Refer Note 38(b)C]	-	335	-	369
Pre-paid expenses	1,046	-	1,286	721
	3,283	**3,154**	**3,076**	**3,713**
Less: Allowance for doubtful balances	(100)	(939)	(100)	(799)
Total other assets	**3,183**	**2,215**	**2,976**	**2,914**

Note:

Balance with government authorities include amounts paid under protest amounting to ₹ 1773 million (2021: ₹ 1,499 million) in respect of disputed indirect tax matters.

10. Inventories

	As at March 31, 2022	As at March 31, 2021
(Valued at lower of cost and net realisable value)		
Raw materials	3,051	3,409
[including materials in transit ₹ 475 million (2021: ₹ 391 million)]		
Work-in-progress [Refer Note (a) below]	5,695	5,956
Finished goods	8,160	7,181
[including goods in transit ₹ 1,104 million (2021: ₹ 336 million)]		
Stock-in-trade	1,510	1,338
[including goods in transit ₹ 816 million (2021: ₹ 535 million)]		
Packing materials	2,262	1,853
[including materials in transit ₹ 47 million (2021: ₹ 46 million)]		
Stores and spares	93	73
Total inventories	**20,771**	**19,810**

Notes:

(a) Work-in-progress (intermediates) includes stocks of maturing spirits held by a branch outside India (in custody of an overseas vendor) amounting to Nil (2021: ₹ 284 million).

(b) Allowance for obsolete inventories (net) amounting to ₹ 162 million (2021: ₹ 752 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.

(c) Inventories include inventory held by tie up manufacturing units amounting to ₹ 2,183 million (2021: ₹ 2,700 million).

(d) For details of Inventories pledged as security Refer Note 33.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

11. Trade receivables

	As at March 31, 2022	As at March 31, 2021
From Contracts with customers - related parties [Refer Note 36(c)(iii)]	59	96
From Contracts with customers - others	24,150	22,995
	24,209	23,091
Less: Loss allowance	(1,188)	(1,490)
Total trade receivables	**23,021**	**21,601**
Details of securities / categorisation of credit risk of trade receivables		
Trade Receivables considered good- secured	-	-
Trade Receivables considered good- unsecured	24,209	23,091
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables- credit impaired	-	-
Total	**24,209**	**23,091**
Less: Loss allowance	(1,188)	(1,490)
Total trade receivables	**23,021**	**21,601**

Refer Note 31 for information about financial risk management

Trade Receivables ageing schedule is set-out below:

Particulars		As at March 31, 2022	As at March 31, 2021
a.	**Undisputed-considered good**		
	Unbilled dues	-	-
	Not due	21,600	20,071
	Less than 6 months	1,867	1,410
	6 months -1 year	89	204
	1-2 Years	184	360
	2-3 years	98	259
	More than 3 years	230	643
	sub-total	**24,068**	**22,947**
b.	**Disputed - considered good**		
	Unbilled dues	-	-
	Not due	-	2
	Less than 6 months	1	2
	6 months -1 year	2	-
	1-2 Years	18	23
	2-3 years	19	37
	More than 3 years	101	80
	sub-total	**141**	**144**
Less: Provision for expected credit loss		(1,188)	(1,490)
Total		**23,021**	**21,601**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

12.1 Cash and cash equivalents

	As at March 31, 2022	As at March 31, 2021
Balances with banks		
In current accounts	208	381
Cheques on hand	62	111
Total cash and cash equivalents	**270**	**492**

12.2 Bank balances other than cash and cash equivalents

	As at March 31, 2022	As at March 31, 2021
In unpaid dividend accounts	1	1
In unpaid public deposit accounts [Refer Note (a) below]	3	7
Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	54	53
Total bank balances other than cash and cash equivalents	**58**	**61**

Notes:

a) Includes ₹ 1 million (2021: ₹ 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) Represents Bank deposits under lien in respect of bank gurantees provided to tax authorities.

13. Equity share capital

	As at March 31, 2022	As at March 31, 2021
Authorised		
2,740,000,000 equity shares of ₹ 2/- each (2021: 2,740,000,000 equity shares of ₹ 2/- each)	5,480	5,480
171,200,000 preference shares of ₹ 10/- each (2021: 171,200,000 preference shares of ₹ 10/- each)	1,712	1,712
	7,192	**7,192**
Issued, subscribed and paid-up		
726,638,715 equity shares of ₹ 2/- each (2021: 726,638,715 equity shares of ₹ 2/- each) fully paid up	1,453	1,453
	1,453	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2022	No. of Shares	As at March 31, 2021
Balance at the beginning of the year [Face value of ₹ 2/- each (2021: ₹ 2/- each)]	726,638,715	1,453	726,638,715	1,453
Add: equity shares issued during the year	-	-	-	-
Balance at the end of the year (Face value of ₹ 2/- each)	726,638,715	1,453	726,638,715	1,453

Notes to the Financial Statements (Continued)

(All amounts in INR 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 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, 2022	No. of Shares	As at March 31, 2021
Diageo Relay B V (wholly owned subsidiary of Diageo Plc) (Formerly known as Relay B V) [Refer note (i) below]	406,447,245	813	406,447,245	813
	406,447,245	**813**	**406,447,245**	**813**

(d) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

(e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2022		As at March 31, 2021	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Diageo Relay B V (Formerly known as Relay B V) [Refer note (i) below]	**406,447,245**	**55.94%**	**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, 2022		As at March 31, 2021	
	No. of Shares	% of Holding	No. of Shares	% of Holding
USL Benefit Trust [Refer Note 4.1(a)]	**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 in the Company to Diageo Relay B V (Formerly known as 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 (Formerly known as Relay B V). Such shares are included in arriving at Diageo Relay BV's (Formerly known as Relay B V) shareholding in the Company.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(j) Disclosure of Shareholding of Promoters

	As at March 31, 2022		As at March 31, 2021		% Change during the year
	No. of Shares	% of total shares	No. of Shares	% of total shares	
Diageo Relay B V (Formerly known as Relay B V)	406,447,245	55.94%	406,447,245	55.94%	-
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%	-
Rossi and Associates Private Limited	-	-	175,560	0.02%	-0.02%
Total	**412,235,040**	**56.74%**	**412,410,600**	**56.76%**	**-0.02%**

14. Reserves and surplus

	As at March 31, 2022	As at March 31, 2021
Capital reserve	683	683
Capital redemption reserve	699	699
Securities premium account	45,682	45,682
Central subsidy	2	2
Share based incentive reserve	(3)	69
Contingency reserve	110	110
General reserve	11,033	11,033
Retained earnings	(10,642)	(18,463)
Total reserves and surplus	**47,564**	**39,815**

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) **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 the group share-based payment arrangements. Recharges towards such 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.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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.

15. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2022	As at March 31, 2021
Current					
Unsecured					
Working capital loans from banks [Refer note (a) below]	Payable on demand	Payable on demand	Not Applicable (2021: '4.05% to 5.15%)	-	5,560
Less: Interest accrued but not due (Refer Note 16)				-	4
Total current borrowings				**-**	**5,556**

Notes:

a) **Includes interest accrued but not due as at year end.**

b) **Net debt reconciliation**

(i) **Net debt summary:**

Particulars	Note	As at March 31, 2022	As at March 31, 2021
Current borrowings	15	-	5,556
Current maturities of long-term borrowings	16	-	-
Interest accrued but not due	16	-	4
Lease liabilities	3.2	2,637	1,578
Total debt		2,637	7,138
Less: Cash and cash equivalents	12.1	270	492
Net debt		**2,367**	**6,646**

(ii) **Movements in net debt:**

Particulars	Lease liabilities	Non-convertible debentures	Working capital loans	(Less) Cash and cash equivalents	Net debt
Net debt as at March 31, 2020	**1,965**	**7,641**	**13,246**	**(271)**	**22,581**
Acquisition- leases (net)*	420	-	-	-	420
Net proceeds from / (Repayment of) borrowings	-	(7,500)	-	-	(7,500)
Net proceeds from / (Repayment of) working capital loans	-	-	(7,674)	-	(7,674)
Interest expense (Refer Note 27)	156	413	492	-	1,061
Interest paid	(156)	(554)	(504)	-	(1,214)
Principal lease payments*	(807)	-	-		(807)
Cash flows	-	-	-	(221)	(221)
Net debt as at March 31, 2021	**1,578**	**-**	**5,560**	**(492)**	**6,646**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Particulars	Lease liabilities	Non-convertible debentures	Working capital loans	(Less) Cash and cash equivalents	Net debt
Acquisition- leases (net)*	2,061	-	-	-	2,061
Net proceeds from / (Repayment of) working capital loans	-	-	(5,560)	-	(5,560)
Interest expense (Refer Note 27)	119	-	154	-	273
Interest paid	(119)	-	(154)	-	(273)
Principal lease payments*	(1,002)	-	-	-	(1,002)
Cash flows	-	-	-	222	222
Net debt as at March 31, 2022	**2,637**	**-**	**-**	**(270)**	**2,367**

* Excludes advance lease payment amouting to Nil (2021: ₹ 148 million)

16. Other financial liabilities

	As at March 31, 2022	As at March 31, 2021
Current		
Interest accrued but not due (Refer Note 15)	-	4
Unpaid / unclaimed dividends [Refer Note (a) below]	1	1
Unpaid / unclaimed public deposits (Including accrued interest) [Refer Notes (a) and (b) below]	3	7
Others		
Liability for customer claim	-	127
Due to Tie-up manufacturing units	464	431
Capital creditors	210	252
Employee benefits payable	940	872
Other financial liabilities	271	227
Total other current financial liabilities	**1,889**	**1,921**

Notes:

(a) As at March 31, 2022 no balances are due to be transferred to IEPF (2021: Nil)

(b) Includes unclaimed public deposit which had matured in earlier years of ₹ 1 million (2021: ₹ 1 million) for which the duly discharged fixed deposit receipts have not been received from the deposit holders.

17. Provisions

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Employee benefits				
Compensated absences	437	-	478	-
Pension liability [Refer Note 38(b)(C)]	1	10	1	11
Share appreciation rights (Refer Note 34)	90	122	56	64
Provident fund obligation [Refer Note 38(b)(C)]	79	-	367	-
Provision for indirect tax and other legal matters [Refer Note (a) below]	3,721	-	4,032	-
Commitment towards “Raising the Bar” programme [Refer Note (b) below and Note 48(a)]	248	-	445	-
Total provisions	**4,576**	**132**	**5,379**	**75**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Notes:

(a) **Movement in provisions for indirect taxes and other legal matters**

Description	As at April 1, 2021	Additions/ amounts written back	Amounts utilised	As at March 31, 2022
Indirect taxes and other legal matters	4,032	(311)	-	3,721

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.

(b) **Movement in Commitment towards "Raising the Bar" programme**

Description	As at April 1, 2021	Additions	Amounts utilised	As at March 31, 2022
Commitment towards "Raising the Bar" programme	445	-	197	248

Refer Note 48(a) for Commitment towards "Raising the Bar" programme.

18. Trade payables

	As at March 31, 2022	As at March 31, 2021
Dues to Micro and Small enterprises (Refer Note 44)	777	640
Dues to creditors other than Micro and Small enterprises		
Dues to related parties [Refer Note 36(c)(iv)]	3,063	2,518
Others	11,208	10,655
Total trade payables	**15,048**	**13,813**

Trade Payables ageing schedule is set-out below:

Particulars		As at March 31, 2022	As at March 31, 2021
(i)	**Undisputed dues - Micro and small enterprieses**		
	Unbilled	-	-
	Not due	580	376
	Less than 1 year	175	187
	1-2 years	12	45
	2-3 years	3	23
	> 3 years	7	9
	sub-total	**777**	**640**
(ii)	**Undisputed dues - Others**		
	Unbilled	5,088	7,495
	Not due	4,601	4,740
	Less than 1 year	4,151	585
	1-2 years	364	86

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Particulars	As at March 31, 2022	As at March 31, 2021
2-3 years	17	184
> 3 years	50	83
sub-total	**14,271**	**13,173**
Total	**15,048**	**13,813**

19. Other current liabilities

	As at March 31, 2022	As at March 31, 2021
Contract liabilities (Advances from customers)	224	455
Statutory liabilities	2,813	3,153
Liability for taxes on closing inventory (net of prepaid taxes)	5,052	4,989
Total other current liabilities	**8,089**	**8,597**

20. Revenue from operations

	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue from contracts with customers:		
Sale of products (includes excise duty)	306,042	270,763
Income from brand franchise arrangements	893	761
	306,935	**271,524**
Other operating revenue:		
Scrap sales	244	188
Miscellaneous	132	52
	376	**240**
Total revenue from operations	**307,311**	**271,764**
Reconciliation between contract price and revenue recognised		
Contract price	318,892	280,801
Less: Items offset against revenue from contracts with customers as required under Ind AS 115	(11,957)	(9,277)
Revenue from sale of products	306,935	271,524
Dissaggregation of revenue from contracts with customers		
Categories of products		
Prestige and above	68,050	55,040
Popular	24,580	22,720
Others	811	892
Add: Excise duty collected from customers	213,494	192,872
Total	**306,935**	**271,524**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

21. Other income

	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest income on fixed deposits held at amortised cost	15	13
Interest income from loans to subsidiaries held at amortised cost [Refer Note 36(b)(vi)]	257	217
Gain on disposal of property, plant and equipment (net)	123	165
Profit on sale of investment	6	-
Liabilities no longer required written back	-	82
Miscellaneous income	14	1
Total other Income	**415**	**478**

22. Cost of materials consumed

	For the year ended March 31, 2022	For the year ended March 31, 2021
Raw materials	29,446	24,790
Packing materials	18,546	15,096
Total cost of materials consumed	**47,992**	**39,886**

23. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2022	For the year ended March 31, 2021
Opening inventory:		
Finished goods	7,181	7,623
Work-in-progress	5,956	5,889
Stock-in-trade	1,338	1,332
Total opening balance (A)	**14,475**	**14,844**
Closing inventory:		
Finished goods	8,160	7,181
Work-in-progress	5,695	5,956
Stock-in-trade	1,510	1,338
Total closing balance (B)	**15,365**	**14,475**
Increase / (decrease) in excise duty on finished goods, net (C)	29	933
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**(861)**	**1,302**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

24. Employee benefits expense

	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries, wages and bonus	5,410	4,635
Contribution to provident and other funds [Refer Note 38(a)]	108	124
Defined benefit plans [Refer Note 38(b)D]	228	227
Share based payment expense (Refer Note 34)	255	66
Staff welfare expenses	334	352
Total Employee benefits expense	**6,335**	**5,404**

25. Depreciation, amortisation and impairment expense

	For the year ended March 31, 2022	For the year ended March 31, 2021
Depreciation / impairment of property, plant and equipment (Refer Note 3.1)	1,343	1,419
Depreciation of right-of-use assets (Refer Note 3.2)	1,099	899
Amortisation / impairment of intangible assets (Refer Note 3.4)	100	175
Total Depreciation, amortisation and impairment expense	**2,542**	**2,493**

26. Other expenses

	For the year ended March 31, 2022	For the year ended March 31, 2021
Consumption of stores and spares	148	97
Sub-contracting charges	1,004	1,270
Power and fuel	159	180
Rent (Refer Note 3.2)	2,607	2,380
Repairs and maintenance:		
Buildings	28	25
Plant and machinery	355	336
Others	271	260
Insurance	170	169
Rates and taxes	403	1,481
Travel and conveyance	269	210
Legal and professional	1,177	1,062
Auditors' remuneration (Refer Note below)	49	45
Freight outwards	2,764	2,249
Royalty [Refer Note 36(b)(xii)]	55	59
Trade mark license fees	432	575
Exchange loss (net)	7	-

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Remuneration to non-executive directors:		
Sitting fee	7	6
Commission	24	24
Allowance for doubtful other assets (net)	158	59
Expense towards corporate social responsibility (Refer Note 45)	76	94
Information technology and communication expenses	884	1,042
Sales distribution charges	1,270	1,032
Miscellaneous expenses	391	306
Total Other expenses	**12,708**	**12,961**
Note:		
Auditors' remuneration*		
a) as auditors		
for Statutory audit	18	14
for Quarterly reviews	9	9
for Certifications	3	4
b) for other audit related services	19	18
Total payment to auditors	**49**	**45**

* Excluding goods and services tax

27. Finance costs

	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest charges on lease liabilities	119	156
Interest expense on borrowings at amortised cost	154	905
Interest- others	376	597
Total finance costs	**649**	**1,658**

28. Exceptional items, net

		Note	For the year ended March 31, 2022	For the year ended March 31, 2021
(a)	Gain due to liquidation of subsidiaries	48(b)	89	-
(b)	Gain on disposal of Investment in associate	48(d)	5	-
(c)	COVID public health infrastructure commitment	53	(100)	-
(d)	Loss allowance on loans due from subsidiaries	36(b)(xxiii)	(532)	(540)
(e)	Reversal of loss allowance on loans due from subsidiaries	36(b)(xix)	4	65
(f)	Provision for impairment of property, plant and equipment	48(e)	(340)	-

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

		Note	For the year ended March 31, 2022	For the year ended March 31, 2021
(g)	Pre-paid brand fee charged to expense	48(c)	(864)	-
(h)	Claim from customer	40(f)	(353)	-
(i)	Commitment towards "Raising the Bar" programme	48(a)	-	(750)
(j)	Impairment in the value of Investment in a subsidiary and associate	35	-	(318)
(k)	Fair value loss on financial assets mandatorily measured at fair value through profit or loss	4(c)	-	(20)
(l)	Loans due from a subsidiary written-off	36(b)(xx)	-	(54)
(m)	Gain on disposal of Investment in a subsidiary		-	103
Total exceptional items, net			**(2,091)**	**(1,514)**

29. Reconciliation of tax expense and accounting profit multiplied by India's tax rate

	For the year ended March 31, 2022	For the year ended March 31, 2021
Profit before income tax expense	10,240	4,690
Tax at Indian tax rate @ 25.17% (2021: 25.17%)	2,577	1,180
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Provision for disputed taxes of earlier years (net of reversal)	(243)	(9)
'Gain on sale of subsidiary	(24)	-
Commitment towards "Raising the bar" Programme	-	189
Impairment on investment in subsidiaries and associate and allowance for doubtful loans to subsidiaries (net of reversals)	109	192
Reversal of provisions/ write offs (net) which were not claimed as allowable expenses in earlier years	(19)	(76)
Others	142	111
Total	**(35)**	**407**
Income tax expense as per Statement of Profit and Loss	**2,542**	**1,587**

Note:

Deferred income tax assets have not been recognized on long term and short term capital losses aggregating to ₹ 3,368 million (2021: ₹ 2,956 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.

30. Earnings per share

	March 31, 2022	March 31, 2021
Nominal value of equity shares (in ₹)	2/-	2/-
(a) Profits attributed to equity holders of the Company	7,698	3,103
(b) Weighted average number of equity shares used as denominator	726,638,715	726,638,715
(c) Basic and diluted earnings per share (in ₹)	10.59	4.27

Note:

(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 4.1(a)].

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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	Review of receivables	Diversification of bank deposits, monitoring of credit limits and assessment of recoverability of loan from subsidiaries and other counterparties
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – interest rate	Short-term borrowings at floating rates	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, use of derivative financial instruments and non-derivative financial instruments, and investment of excess funds.

The Company does not have significant exposure to foreign currency fluctuations.

(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 revenue 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 ₹ 14,342 million; 59% (2021: ₹ 14,441 million; 63%) and private customers amounted to ₹ 9,867 million; 41% (2021: ₹ 8,650 million; 37%) 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, 2022	March 31, 2021
Balance at the beginning of the year	1,490	2,015
Loss allowance (net)	(155)	311
Write offs	(147)	(836)
Balance at the end of the year (Refer Note 11)	**1,188**	**1,490**

Loans and other financial assets:

Other financial assets' includes balances with banks, receivable from Tie-up manufacturing units, loans including loans to subsidiaries and interest accrued on such loans.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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.

Movement in loss allowances for financial assets other than for trade receivables during the reporting period is provided below:

Particulars	March 31, 2022	March 31, 2021
Balance at the beginning of the year	15,677	72,801
Loss allowance recognised:		
• Included in the Statement of Profit and Loss	26	173
• Disclosed as exceptional item, net [Refer Note 28(d), 28(e) and 28(l)]	528	529
Restatement of loss allowance recognised in earlier years in respect of credit impaired loans to overseas subsidiaries in foreign currency (*)	(12)	(1246)
Conversion of loan into equity shares [Refer Note 4(c)]	-	(56,267)
Write offs	(217)	(313)
Balance at the year end (Refer Note 5 and 6)	**16,002**	**15,677**

(*) 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.

Significant estimate in measurement of impairment on loans to subsidiaries

Loans to subsidiaries are measured at amortized cost using the effective interest method. In assessing the expected credit loss, management considers the expected manner of recovery, the contractual terms of the loan, operational status of the subsidiary, historical experience and forecast cash flows. An impairment provision is made to reflect any expected credit loss. Changes in expected manner of recovery consequent to change in forecast cash flows, could lead to the losses being higher/ lower than estimated as at the year end.

The Company has credit risk from loans provided to subsidiaries:

- Loans to overseas subsidiaries- 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, other than for loan to Pioneer Distilleries Limited. During the year, management has re-estimated the expected future cash flows and has recognised an allowance of ₹ 532 million (which includes an allowance of ₹ 99 million on interest accrued and an allowance of ₹ 433 million on the principal amount (2021: ₹ 540 million) using the expected credit loss approach in respect of loan to Pioneer Distilleries Limited [Refer Note 28(d)]. The Loan amount outstanding from Pioneer Distilleries Limited as at the year-end is Nil (March 31,2021 ₹ 433 million).

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influence liquidity risk. The Company generates enough cashflow from the current operation that provides liquidity both in the short-term as well as in the long-term. The Company has prudent liquidity risk management to ensure maintenance of required cash and / or have access to funds through adequate unutilised sanctioned borrowing limits from banks.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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, 2022	As at March 31, 2021
Floating rate Cash credit/ working capital loans	26,310	23,340

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 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, 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
Lease liabilities	377	365	690	997	581	20	3,030
Trade payables	15,048	-	-	-	-	-	15,048
Other financial liabilities	1,889	-	-	-	-	-	1,889
Total liabilities	**17,314**	**365**	**690**	**1,072**	**671**	**20**	**19,967**

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	5,583	-	-	-	-	-	5,583
Lease liabilities	217	155	300	682	313	56	1,723
Trade payables	13,813	-	-	-	-	-	13,813
Other financial liabilities	1,917	-	-	-	-	-	1,917
Total liabilities	**21,530**	**155**	**300**	**682**	**313**	**56**	**23,036**

(C) Interest rate risk

The Company is exposed to interest rate risk on its loans from Banks. The Company's short-term borrowings were benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates. Interest rate risk arises due to uncertainties about the future market interest rate on the borrowings. The Company maintains an optimal debt mix and tenure to minimise the impact of interest rate risk.

The Company had no borrowings as at March 31, 2022 and therefore is not exposed to interest rate risk on its borrowing facilities. The exposure of the Company's borrowings to interest rate changes at the end of previous year as follows:

Particulars	As at March 31, 2021
Floating rate borrowings	5,556
Total borrowings	**5,556**

Note: Considering that the Company has no borrowings at the year end, the Company is not exposed to interest rate risk. As at March 31, 2021, reasonable possible changes in interest rates were not expected to have a significant impact on the Company's profit/ loss.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(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 receivable and payable 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, this 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:

Financial assets	As at March 31, 2022					
	USD	GBP	EURO	SGD	AUD	Total
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	**157**	**(180)**	**9**	**(23)**	**(1)**	**(38)**

Financial assets	As at March 31, 2021					
	USD	GBP	EURO	SGD	AUD	Total
Cash and cash equivalents	0	0	0	-	-	0
Other financial assets	17	11	4	0	-	32
Trade receivables	144	-	-	-	-	144
Exposure to foreign currency risk (assets)	**161**	**11**	**4**	**0**	**-**	**176**
Financial liabilities						
Trade payables	11	159	12	17	1	200
Contract liabilities (Advances from customers)	12	-	-	-	-	12
Exposure to foreign currency risk (liabilities)	**23**	**159**	**12**	**17**	**1**	**212**
Net exposure	**138**	**(148)**	**(8)**	**(17)**	**(1)**	**(36)**

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 subsidiaries, denominated in foreign currency are fully provided for and hence they do not carry any foreign currency risk.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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 optimum debt mix:

- 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, 2022	As at March 31, 2021
Total Debt	(a)	2,637	7,138
Cash and cash equivalents	(b)	270	492
Net debt	(c) = (a) - (b)	2,367	6,646
Total equity	(d)	49,017	41,268
Net debt to equity ratio	**(c) / (d)**	**0.05**	**0.16**

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, 2022, no assets have been shown as hypothecated/ mortgaged as at March 31, 2022.

(b) Further the following assets have been pledged with a bank with whom the Company is involved in a litigation [Refer Note 40(f)]

Particulars	Notes	As at March 31, 2022	As at March 31, 2021
First charge			
Freehold land	3.1	1,177	1,177
Buildings	3.1	147	163
Leasehold land	3.2	37	37
Plant and equipment	3.1	3	5
Investments as a sole beneficiary in USL Benefit Trust	4	1,197	1,197
Total assets pledged as security		**2,561**	**2,579**

(c) Assets pledged, as disclosed under this note does not include inventory aggregating to ₹ 121 million (2021: ₹ 122 million) in custody of third-party tie-up manufacturing units (TMUs), which have been hypothecated by the said TMUs for securing credit facilities.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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 ₹ 55 million (March 31, 2021: net credit of ₹ 23 million Assets pledged as security (Refer Note 24), with a corresponding credit to share based incentive reserve in other equity. Disclosures are provided to the extent of information available with the Company.

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:

	As at March 31, 2022	As at March 31, 2021
Share price as at balance sheet date (remeasurement date) (₹ per share)	888.40	556.35
Expected volatility (%)	33.71% -36.16%	33.72% - 36.16%
Dividend yield (%)	-	-
Risk-free interest rate (%)	5.66%	5.18%

As at March 31, 2022 outstanding SA are 606,072 (March 31, 2021: 496,460). Refer below for summary of movement in provision for SAR:

Particulars	Note	Amount
Provision as at April 1, 2020		**121**
Charge for the year	24	89
Payout during the year	24	(90)
Provision as at March 31, 2021	**17**	**120**
Charge for the year	24	200
sPayout during the year	24	(108)
Provision as at March 31, 2022	**17**	**212**

Provision as at the year-end classified as:

Particulars	As at March 31, 2022	As at March 31, 2021
Current	90	56
Non-current	122	64
Total	212	120

Note 35: Impairment of investments in subsidiaries and an associate

The Company performs impairment assessment of its investments in subsidiaries and associates whenever events or changes in circumstances indicate a diminution in the carrying value of the investments or when such events indicate that a reversal of a previously recognised impairment loss is likely.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

The Company has determined recoverable values of its investments using 'market approach' i.e., fair value of net assets, less cost of disposal. Such fair values have been determined using Level 3 inputs. An analysis of investments in a subsidiary where impairment charge/ reversal has been recognised, is provided below:

Sovereign Distilleries Limited	As at March 31, 2022	As at March 31, 2021
Carrying amount of investments (Gross)		
Investments in equity	4,415	4,267
Recoverable amount	425	277
Shortfall in recoverable amount over carrying value	3,990	3,990
Impairment allowance recognized in earlier years	3,990	3,942
Impairment allowance recognized during the year [Refer Note 28(a)]	-	48
Closing impairment allowance (Refer Note 4)	**3,990**	**3,990**

Notes:

(a) Investment in Hip Bar Private Limited, an associate, was sold on August 3, 2021. Hip Bar Private Limited ceased to be an associate with effect from that date. Investment in equity shares of Hip Bar Private Limited amounting to ₹ 270 million was impaired during the year ended March 31, 2021. Impairment loss was recognised as an exceptional item in Note 28(j).

(b) Any changes in fair value of the subsidiary would have an equivalent effect on the impairment charge.

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 Relay B V)
- Diageo Relay B V, Netherlands (Holding Company) (Formerly known as Relay B V)

(ii) Subsidiaries

Name of the subsidiary	% of ownership interest	Country of Incorporation
Indian Subsidiaries		
Pioneer Distilleries Limited	75	India
Royal Challengers Sports Private Limited	100	India
Sovereign Distilleries Limited	100	India
Tern Distilleries Private Limited [up to January 27, 2021]	100	India
Overseas Subsidiaries		
Asian Opportunities and Investments Limited	100	Mauritius
Liquidity Inc. [up to December 17, 2020]	51	USA
McDowell & Co. (Scotland) Limited	100	Scotland, U.K.
Montrose International S.A [up to April 16, 2021 - Refer note 48(b)]	100	Panama
Palmer Investment Group Limited	100	British Virgin Islands
Shaw Wallace Overseas Limited	100	U.K.
UB Sports Management Overseas Limited (merged with Palmer Investment Group Limited w.e.f. July 15, 2020)	100	Jersey Islands
United Spirits (Great Britain) Limited	100	U.K.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the subsidiary	% of ownership interest	Country of Incorporation
United Spirits (Shanghai) Trading Company Limited	100	China
United Spirits (UK) Limited	100	U.K.
United Spirits Singapore Pte Ltd	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
Hip Bar Private Limited [up to August 03, 2021 - Refer note 48(d)]	26	India

(v) 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 Ltd
- Diageo Business Services India Private Limited
- UDV Kenya Ltd
- Diageo Singapore Pte
- Diageo India Private Limited
- Diageo Indonesia (PT Langgeng Kreasi Jayaprima)
- Diageo Mexico

(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

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

- Phipson & Company Limited Gratuity Fund
- Carew & Company Ltd. Gratuity Fund
- United Spirits Superannuation Fund
- UB Group Employee Benefit Trust
- Shaw Wallace Employee Welfare 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
- Sanjeev Churiwala (Executive Director and Chief Financial Officer) up to September 30, 2020

(viii) Non-executive/ Independent directors

- Mahendra Kumar Sharma – Chairman
- V K Viswanathan
- Dr. Indu Shahani
- D Sivanandhan
- Rajeev Gupta
- John Thomas Kennedy
- Randall Ingber
- Vinod Rao (till December 15, 2021)
- Mark Sandys (w.e.f. April 1, 2022)

(b) Summary of the transactions with related parties

Name of the related party	Relationship	For the year ended March 31, 2022	For the year ended March 31, 2021
(i) Investments in compulsory convertible preference shares			
Hip Bar Private Limited	Associate	-	20
Total- investments in compulsory convertible preference shares		**-**	**20**
(ii) Investments in equity shares			
Sovereign Distilleries Limited	Subsidiary	148	-
Total- investments in equity shares		**148**	**-**
(iii) Sale of products (including excise duty) to			
Pioneer Distilleries Limited	Subsidiary	41	55
Guinness Nigeria Plc.	Fellow subsidiary	9	12
Diageo Brands BV	Fellow subsidiary	12	47
UDV Kenya Limited	Fellow subsidiary	2	-
Total- Sale of products		**64**	**114**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2022	For the year ended March 31, 2021
(iv) Royalty and brand franchise income			
Guinness Nigeria Plc.	Fellow subsidiary	11	3
Total- Royalty and brand franchise income		**11**	**3**
(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	125	208
Pioneer Distilleries Limited	Subsidiary	108	9
Sovereign Distilleries Limited	Subsidiary	24	0
Tern Distilleries Private Limited	Subsidiary	-	0
Total - Interest income from subsidiaries (Refer Note 21)		**257**	**217**
(vii) Reimbursement of expenses from			
Diageo Plc.	Parent	70	19
Pioneer Distilleries Limited	Subsidiary	4	5
Royal Challengers Sports Private Limited	Subsidiary	23	20
Diageo India Private Limited	Fellow subsidiary	1	2
Diageo Great Britain Limited	Fellow subsidiary	33	160
Diageo Brands BV	Fellow subsidiary	8	9
Diageo North America Inc.	Fellow subsidiary	-	8
Diageo Singapore Pte	Fellow subsidiary	-	3
Diageo Scotland Limited	Fellow subsidiary	13	152
Diageo Mexico	Fellow subsidiary	-	1
Diageo Business Services India Private Limited	Fellow subsidiary	2	-
Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Fellow subsidiary	13	7
Total - Reimbursement of expenses received		**167**	**386**
(viii) Purchase of stock-in-trade from			
Diageo Brands BV	Fellow subsidiary	3,790	2,409
Diageo Singapore Supply Pte Limited	Fellow subsidiary	1	5
Diageo Ireland Ltd	Fellow subsidiary	8	-
Total- Purchase of stock-in-trade		**3,799**	**2,414**
(ix) Purchase of raw materials from			
Pioneer Distilleries Limited (including purchase through intermediaries)	Subsidiary	1,718	1,544
Diageo Brands BV	Fellow subsidiary	2,138	1,780
Total- Purchase of materials		**3,856**	**3,324**
(x) Purchase of Trademark license			
Sovereign Distilleries Limited	Subsidiary	0	-

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2022	For the year ended March 31, 2021
Total- Purchase of Trademark license		**0**	**-**
(xi) Bottling charges paid to tie-up manufacturing operations			
Pioneer Distilleries Limited	Subsidiary	107	70
Total- Bottling charges		**107**	**70**
(xii) Royalty expense			
Diageo North America Inc.	Fellow subsidiary	55	59
Total- Royalty expense (Refer Note 26)		**55**	**59**
(xiii) Professional charges			
Diageo Business Services India Private Limited	Fellow subsidiary	157	172
Total- Professional charges		**157**	**172**
(xiv) Cross Charge towards share based payments			
Diageo Great Britain Limited	Fellow subsidiary	124	59
Total- Cross charge		**124**	**59**
(xv) Other services received			
Advertisement and sales promotion expenses			
Royal Challengers Sports Private Limited	Subsidiary	25	24
Information Technology expenses			
Diageo Great Britain Limited	Fellow subsidiary	221	159
Diageo North America Inc	Fellow subsidiary	-	4
Diageo Business Services India Private Limited	Fellow subsidiary	6	24
Total- Other services received		**262**	**211**
(xvi) Reimbursement of expenses paid to			
Pioneer Distilleries Limited	Subsidiary	2	-
Diageo Scotland Limited	Fellow subsidiary	11	82
Diageo Brands BV	Fellow subsidiary	-	4
Diageo North America Inc	Fellow subsidiary	20	-
Diageo Great Britain Limited	Fellow subsidiary	7	43
Diageo Ireland Ltd	Fellow subsidiary	-	1
Diageo Business Services India Private Limited	Fellow subsidiary	6	9
Diageo Australia Ltd	Fellow subsidiary	-	1
Diageo Plc.	Parent	2	1
Total- reimbursement of expenses paid		**48**	**141**
(xvii) Loans given to			
Sovereign Distilleries Limited	Subsidiary	21	23
Royal Challengers Sports Private Limited	Subsidiary	2,478	1,495
Tern Distilleries Private Limited	Subsidiary	-	7
Total- Loans given		**2,499**	**1,525**
(xviii) Loans repaid by			
Royal Challengers Sports Private Limited	Subsidiary	3,091	2,333

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	For the year ended March 31, 2022	For the year ended March 31, 2021
Sovereign Distilleries Limited	Subsidiary	119	-
McDowell & Co. (Scotland) Limited	Subsidiary	-	65
Total- Loans repaid		**3,210**	**2,398**
(xix) Allowances reversed on loans/ interest			
Sovereign Distilleries Limited	Subsidiary	4	-
McDowell & Co. (Scotland) Limited	Subsidiary	-	65
Total allowances reversed [Refer 28(e)]		**4**	**65**
(xx) Loans written-off			
Tern Distilleries Private Limited [Refer Note 28(i)]	Subsidiary	-	54
Liquidity Inc*	Subsidiary	-	66
Total loans written-off		**-**	**120**
(xxi) Conversion of loans into equity			
USL Holdings Limited	Subsidiary	-	56,267
Total Conversion of loans into equity [Refer Note 4(c)]		**-**	**56,267**
(xxii) Contribution to employee benefit plans			
McDowell & Company Limited Employees Provident Fund	Employee benefits plan	141	136
United Spirits Superannuation Fund	Employee benefits plan	26	39
Total Contribution to employee benefit plans		**167**	**175**
(xxiii) Allowances during the year for loans/ interest receivable			
Pioneer Distilleries Limited	Subsidiary	532	540
Total allowances for loans / interest receivable [Refer Note 28(d)]		**532**	**540**

*Loan to Liquidity Inc. amounting to ₹ 66 Million was fully provided for in the Statement of Profit and Loss prior to the date of write-off.

Refer note 48(b) for proceeds repatriated to the Company upon liquidation of Montrose liquidation SA.

(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, 2022	As at March 31, 2021
(i) Financial assets receivable			
Royal Challengers Sports Private Limited	Subsidiary	21	39
Diageo Scotland Limited	Fellow subsidiary	1	-
Diageo Brands BV	Fellow subsidiary	8	9
Diageo India Private Limited	Fellow subsidiary	0	-
Pioneer Distilleries Limited	Subsidiary	-	-
Diageo Great Britain Limited	Fellow subsidiary	-	7
Diageo Business Service India Private Limited	Fellow subsidiary	2	-
Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Fellow Subsidiary	12	7

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	As at March 31, 2022	As at March 31, 2021
Diageo Plc	Parent	4	-
Total- Financial assets receivable (Refer Note 6)		**48**	**62**
(ii) Trade advances to			
Pioneer Distilleries Limited	Subsidiary	795	723
Total- advances outstanding (Refer Note 9)		**795**	**723**
(iii Trade receivables from			
Diageo Brands BV	Fellow Subsidiary	-	47
UDV Kenya Ltd	Fellow subsidiary	2	-
Guinness Nigeria Plc.	Fellow subsidiary	57	49
Total- Trade receivables (Refer Note 11)		**59**	**96**
(iv) Trade payables to			
Diageo Plc.	Parent	10	1
Pioneer Distilleries Limited	Subsidiary	123	107
Sovereign Distilleries Limited	Subsidiary	-	4
Diageo Brands BV	Fellow subsidiary	2,665	2,176
Diageo Great Britain Limited	Fellow subsidiary	135	74
Diageo North America Inc.	Fellow subsidiary	93	34
Diageo Scotland Limited	Fellow subsidiary	12	62
Diageo Singapore Supply Pte Limited	Fellow subsidiary	2	5
Diageo Business Services India Private Limited	Fellow subsidiary	19	53
Diageo Ireland Ltd	Fellow subsidiary	4	1
Diageo Australia	Fellow subsidiary	0	1
Total trade payables to related parties (Refer Note 18)		**3,063**	**2,518**
(v) Payables to tie-up manufacturing units			
Pioneer Distilleries Limited	Subsidiary	119	56
Total payables to tie-up manufacturing units		**119**	**56**
(vi) Loans (including interest) outstanding from			
(a) Principal			
Royal Challengers Sports Private Limited	Subsidiary	1,275	1,888
Pioneer Distilleries Limited	Subsidiary	1,354	1,354
Sovereign Distilleries Limited	Subsidiary	-	98
Asian Opportunities & Investments Limited	Subsidiary	557	568
United Spirits (Shanghai) Trading Company Limited	Subsidiary	22	21
USL Holdings (UK) Limited	Subsidiary	137	139
(b) Interest accrued			
Royal Challengers Sports Private Limited	Subsidiary	0	12
Pioneer Distilleries Limited	Subsidiary	585	488

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Name of the related party	Relationship	As at March 31, 2022	As at March 31, 2021
Sovereign Distilleries Limited	Subsidiary	-	4
Total - Loans outstanding Refer Note 5)		**3,930**	**4,572**
(vii) Allowance on loans at year end			
(a) Principal			
United Spirits (Shanghai) Trading Company Limited	Subsidiary	22	21
Pioneer Distilleries Limited	Subsidiary	1,354	921
Asian Opportunities & Investments Limited	Subsidiary	557	568
USL Holdings (UK) Limited	Subsidiary	137	139
(b) Interest			
Pioneer Distilleries Limited	Subsidiary	585	486
Sovereign Distilleries Limited	Subsidiary	-	4
Total Allowance on loans (Refer Note 5)		**2,655**	**2,139**
(viii) Minimum offtake commitment for purchase of bulk scotch			
Diageo Scotland Limited	Fellow subsidiary	4,862	536

(d) Key management personnel and compensation

Executive directors	For the year ended March 31, 2022		For the year ended March 31, 2021	
	Hina Nagarajan	Anand Kripalu	Anand Kripalu	Sanjeev Churiwala
Remuneration (*)	66	146#	102	26
Employee share-based payments (**)	3	143	35	2
Total compensationw	**69**	**289**	**137**	**28**

(*) 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 Anand Kripalu, 'taxable gratuity' is also included in remuneration.

Non-executive/ Independent directors	For the year ended March 31, 2022		For the year ended March 31, 2021	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	1.0	4.7	1.0	4.7
V K Viswanathan	1.3	3.9	1.2	3.9
Dr. Indu Shahani	1.4	4.0	1.3	4.0
D Sivanandhan	1.4	3.9	1.3	3.9
Rajeev Gupta	1.1	3.5	1.0	3.5
Total	**6.2**	**20.0**	**5.8**	**20.0**

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

(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).

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Note 37: Offsetting of financial assets and financial liabilities

Until the previous year end, the Company presented receivables from Tie-up manufacturing units after offsetting liabilities towards bottling fees. The Company was not obligated to pay the bottling fees and net amount recoverable (after offsetting the bottling fees) was paid by the Tie-up manufacturing units. However, during the current year, the Company has been separately settling the bottling fees and recovering the gross amounts recoverable from Tie-up manufacturing units. Accordingly, the bottling fees payable has not been offset against receivables from Tie-up manufacturing units as at March 31, 2022.

Particulars	As at March 31, 2022	As at March 31, 2021
Receivable from Tie-up manufacturing units (gross)	*	2,945
Less: Bottling charges payable	*	(127)
Receivable from Tie-up manufacturing units as reported (Refer Note 6)	*	2,818

*Not applicable

The Company gives 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, 2022	As at March 31, 2021
Trade receivables (gross)	24,651	23,450
Less: Volume based incentives and rebates payable	(442)	(359)
Trade receivables as reported (Refer Note 11)	24,209	23,091

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.

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.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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, 2022	For the year ended March 31, 2021
Provident fund*	29	26
Employees' pension scheme	45	48
Employees' state insurance	1	3
Superannuation fund	26	39
National pension scheme	7	8
Total (Refer Note 24)	**108**	**124**

*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.

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.

Notes to the Financial Statements (Continued)

(All amounts in INR 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, 2022			For the year ended March 31, 2021		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)
Obligation at the beginning of the year	1,254	3,446	12	1,283	3,305	15
Current service cost	116	141	-	120	136	-
Interest cost	77	273	0	80	276	1
Benefit payments from plan assets	(182)	(535)	-	(157)	(446)	-
Transfer in/ (out)	-	105	-	-	14	-
Employee contributions	-	194	-	-	191	-
Benefit payments from the Company	-	-	(0)	-	-	(1)
Actuarial (gain)/ loss from changes in demographic assumptions	(10)	-	-	-	-	-
Actuarial (gain)/ loss from changes in financial assumptions	(29)	(47)	(0)	3	-	0
Actuarial (gain)/ loss from experience adjustments	(52)	(102)	(1)	(75)	(30)	(3)
Obligation at the end of the year	**1,174**	**3,475**	**(11)**	**1,254**	**3,446**	**12**

B. Reconciliation of opening and closing balances of the fair value of plan assets:

	For the year ended March 31, 2022		For the year ended March 31, 2021	
	Gratuity (Funded)	Provident fund (Funded)	Gratuity (Funded)	Provident fund (Funded)
Plan assets at the beginning of the year	1,623	3,079	1,669	2,938
Employee contributions	-	194	-	191
Transfer in/ (out)	-	105	-	14
Contribution by the Company*	-	319	-	136
Return on plan assets	106	273	110	276
Actuarial gains/ (losses)	(38)	(39)	1	(30)
Benefits paid	(183)	(535)	(157)	(446)
Plan assets at the end of the year	**1,509**	**3,396**	**1,623**	**3,079**

*Including contribution towards shortfall in plan asset

Notes to the Financial Statements (Continued)

(All amounts in INR 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, 2022			As at March 31, 2021		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)
Present value of obligation	1,174	3,475	11	1,254	3,446	12
Fair value of plan assets	1,509	3,396	-	1,623	3,079	-
Asset ceiling	-	-	-	-	-	-
Liability/ (asset) recognised in Balance sheet (Refer Notes 9 and 17)	**(335)**	**79**	**11**	**(369)**	**367**	**12**
Current		79	1	-	367	1
Non-current	(335)	-	10	(369)	-	11

D. Expenses recognised in the Statement of profit and loss:

	For the year ended March 31, 2022				For the year ended March 31, 2021			
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total
Current service cost	116	141	-	257	120	136	-	256
Net interest cost								
a. Interest expense on DBO	77	273	0	350	80	276	1	357
b. Interest (income) on plan assets	(106)	(273)	-	(379)	(110)	(276)	-	(386)
Total net interest cost (a+b)	(29)	-	-	(29)	(30)	-	1	(29)
Defined benefit cost (Refer Note 24)	**87**	**141**	**0**	**228**	**90**	**136**	**1**	**227**

E. Re-measurement effects recognised in Other comprehensive income (OCI):

	For the year ended March 31, 2022				For the year ended March 31, 2021			
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Total
a. Actuarial (gain)/ loss due to demographic assumptions changes in DBO	(10)	-	-	(10)	-	-	-	-
b. Actuarial (gain)/ loss due to financial assumptions changes in DBO	(29)	(47)	(0)	(76)	3	-	0	3
c. Actuarial (gain)/ loss due to experience on DBO	(52)	(102)	(1)	(155)	(75)	(30)	(3)	(108)

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

	For the year ended March 31, 2022				For the year ended March 31, 2021			
	Gratuity	Provident fund	Pension	Total	Gratuity	Provident fund	Pension	Total
	(Funded)	(Funded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	
d. Return on plan assets (greater) / less than discount rate	38	39	-	77	(1)	30	-	29
e. Movement in asset ceiling (gain) / loss	-	-	-	-	-	-	-	-
Total actuarial (gain) / loss included in OCI	**(53)**	**(110)**	**(1)**	**(164)**	**(73)**	**-**	**(3)**	**(76)**

F. **Total cost recognised in Comprehensive Income:**

	For the year ended March 31, 2022				For the year ended March 31, 2021			
	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)	87	141	0	228	90	136	1	227
Remeasurements effects recognised in OCI	(53)	(110)	(1)	(164)	(73)	-	(3)	(76)
Total cost recognised in Comprehensive Income	**34**	**31**	**(1)**	**64**	**17**	**136**	**(2)**	**151**

G. **Investment details of plan assets:**

	As at March 31, 2022		As at March 31, 2021	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	69%	-	68%
Private sector bonds	-	4%	-	9%
Public sector / financial institutional bonds	-	8%	-	6%
Special deposit scheme	-	3%	-	4%
Insurance products	100%	-	100%	-
Others (including bank balances)	0%	16%	0%	13%
	100%	**100%**	**100%**	**100%**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

H. Assumptions:

	As at March 31, 2022			As at March 31, 2021		
	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)	Gratuity (Funded)	Provident fund (Funded)	Pension (Unfunded)
Discount rate (per annum)	6.91%	6.87%	6.91%	6.54%	6.58%	6.54%
Rate of increase in compensation levels	10%	10%	NA	10%	10%	NA
Attrition rate	5% - 11%	5% - 11%	NA	5% - 11%	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 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, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Discount rate	1%	1%	(72)	(72)	81	81
Compensation levels	1%	1%	78	78	(71)	(71)

Provident Fund:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Discount rate	1%	1%	(60)	(104)	132	180
Compensation levels	1%	1%	125	167	(60)	(102)

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 Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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.

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, 2023, considering the net surplus portion as at March 31, 2022. The Company is expected to contribute ₹ 155 Million (2021: ₹ 149 million) to Provident fund during the year ended March 31, 2023.

The weighted average duration of the defined benefit obligation is 8.19 years (2021: 8.30 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

March 31, 2022	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
Gratuity	132	129	367	1,589	2,217
Provident fund	376	410	1,471	3,508	5,765
Total	**508**	**539**	**1,838**	**5,097**	**7,982**

March 31, 2021	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
Gratuity	150	124	364	1,501	2,139
Provident fund	364	397	1,426	3,400	5,587
Total	**514**	**521**	**1,790**	**4,901**	**7,726**

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, 2022. 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.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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 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 one overseas subsidiary, merged one overseas subsidiary into another and sold two subsidiaries, one of which was overseas and the other 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, 2022, 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.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(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 ₹ 9,898 million up to March 31,2022. The Company has offset payable to UBHL under a trademark agreement entered into with UBHL amounting to ₹ 74 million for the year ended March 31, 2022, and consequently, the corresponding provision for loan has been reversed to 'Loss allowance on trade receivables and other financial assets (net)'. The cumulative offset up to March 31,2022 amounted to ₹ 2,062 million.

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. 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 and during the years ended March 31, 2021 and March 31, 2022, and subsequent to the year ended March 31, 2022, the Official Liquidator and the Company exchanged certain correspondence.

(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, 2022.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

(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.

There have been no developments with respect to this matter during the year ended March 31, 2022.

(f) Developments in Relation to Past Claims from a Customer

In April 2021, a customer notified the Company that it was stopping further payment until pending issues of recovery were resolved. The customer was seeking to review a settled issue regarding differential trade terms, which the Company had voluntarily disclosed to the customer, and in relation to which all recovery claims made by the customer had been fully settled. This was disclosed in the annual financial statements for the years ended March 31, 2017 and March 31, 2018. In June 2021, the customer confirmed that the matter of original recovery was settled (which reaffirmed the Company's view) but made an additional claim amounting to ₹ 480 million and committed to resume payments. Further to this communication, the Company recognised a claim of ₹ 353 million (net), which has been presented as an exceptional item in the Standalone financial statements for the year ended March 31, 2022. The Company does not expect any further claim from the customer in relation to this matter. Also refer note 28 (h).

Note 41: Capital and other commitments

Particulars	As at March 31, 2022	As at March 31, 2021
(a) Capital commitments for property, plant and equipment	880	750
(b) Other commitments:		
i. relating to advertisement, sales promotion and trade-mark fee	675	977
ii. Towards minimum offtake commitment for purchase of bulk scotch from a related party	4,862	536

Notes:

a) The Company has given letters of financial support to the following subsidiaries to conduct their operations in such a manner as to enable them to meet their obligations, as and when they fall due for a period of twelve months from the balance sheet date:

   i. Pioneer Distilleries Limited

   ii. Sovereign Distilleries Limited

   iii. Palmer Investment Group Limited

b) The Company has given a letter of comfort to a bank, towards a loan facility from that bank amounting to ₹ 3,500 million (2021: ₹ 3,500 million) availed by Pioneer Distilleries Limited (PDL), a subsidiary. As per the letter, the Company has expressed its intention to ensure that PDL repays the outstanding amount under the facility on due date and in the event of default by PDL, to take appropriate steps to cause PDL to repay the outstanding out of PDL's resources. The said letter does not constitute a guarantee by USL, as in the event of default by PDL, the bank shall have no recourse to USL.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Note 42: Contingent Liabilities

Particulars	As at March 31, 2022	As at March 31, 2021
(a) Income tax matters	7,515	7,344
(b) Indirect tax matters		
(i) State excise	1,086	2,080
(ii) Central excise	2	2
(iii) Sales tax and entry tax	3,845	4,130
(c) Other civil litigations and claims	1,599	1,734

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 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 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, appropriate disclosure is provided but no provision is made and no contingent liability is quantified.

(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, 2022	For the year ended March 31, 2021
Salaries and wages	59	65
Contribution to provident fund and other funds	3	4
Staff welfare expenses	1	2
Rent	8	8
Miscellaneous expenses	26	20
Total Research expenses	**97**	**99**

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Note 44: Dues to Micro and Small enterprises

Particulars	As at March 31, 2022	As at March 31, 2021
Principal amount due to suppliers registered under the MSMED Act and remaining unpaid as at year end	777	640
Interest due to suppliers registered under the MSMED Act and remaining unpaid as at year end	20	15
Principal amounts paid to suppliers registered under the MSMED Act, beyond the appointed day during the year	1,999	3,117
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	-	-
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	52	32

Note: The above information has been determined to the extent such parties have been identified by the Company.

Note 45: Corporate Social Responsibility (CSR)

CSR amount required to be spent as per Section 135 of the Companies Act, 2013 read with Schedule VII thereof by the Company during the current year is ₹ 76 million (2021: ₹ 93.5 million).

Details of actual CSR expenditure incurred:

Particulars	For the year ended March 31, 2022			For the year ended March 31, 2021		
	In cash	Yet to be paid in cash	Total	In cash	Yet to be paid in cash	Total
Amount spent during the year on:						
i) Construction/ acquisition of assets	-	-	-	-	-	-
ii) On purposes other than i) above (Refer Note 27 and 28(c))	156	19	175	79	16	94.4

The Company did not undertake any ongoing projects, and thus, the requirement of transferring to a separate bank account as per Section 135(6) of the Companies Act, 2013 read with Schedule VII thereof does not arise. There are no amounts required to be transferred to the fund specified in Section 135 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, 2022. The Company had spent excess amount of ₹ 0.9 million on CSR activities during the previous year. Hence, as per third proviso to Section 135(5) of the Act amount of ₹ 0.9 million was carried forward to the current year.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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, 2022	As at March 31, 2021
Domestic subsidiaries			
Royal Challengers Sports Private Limited	Wholly owned subsidiary	1,699	1,699
Sovereign Distilleries Limited	Wholly owned subsidiary	4,730	4,582
Pioneer Distilleries Limited	Subsidiary	1,117	1,117
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	27
Liquidity Inc. (upto December 18, 2020) – Refer Note 40(b)(iii)	Subsidiary	-	-
Shaw Wallace Overseas Limited	Wholly owned subsidiary	14	14
Palmer Investment Group Limited	Wholly owned subsidiary	6,918	6,918
Montrose International S.A	Wholly owned subsidiary	134	134
Total		**71,355**	**71,207**

ii) Investment in associate:

Name of the associate	Relationship	As at March 31, 2022	As at March 31, 2021
Hip Bar Private Limited	Associate	-	290

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Note 46(b): Details of loans (gross) as per Section 186 (4) of Companies Act, 2013

Name of the borrower	Relationship	Purpose	Rate of Interest 2021-22	Rate of Interest 2020-21	Term/ Repayment schedule	As at March 31, 2022	As at March 31, 2021
Domestic subsidiaries (Refer note below):							
Royal Challengers Sports Private Limited	Wholly owned subsidiary	Working capital	8%	8%	Principal and interest to be repaid by July 31, 2023.	1,275	1,888
Sovereign Distilleries Limited	Wholly owned subsidiary	Working capital / Capex funding	Not Applicable	8%	Principal and interest has been repaid during the year.	-	98
Pioneer Distilleries Limited	Subsidiary	Working capital / Capex funding	8%	8%	Principal and interest to be repaid by August 5, 2026.	1,354	1,354
Overseas subsidiaries:							
Asian Opportunities & Investments Limited	Wholly owned subsidiary	Working capital / Funding towards acquisition of Bouvet Ladubay	Interest free	Interest free	Term/ repayment schedule not specified.	557	568
United Spirits (Shanghai) Trading Company Limited	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	22	21
USL Holdings UK Ltd	Wholly owned subsidiary	Working capital	Interest free	Interest free	Term/ repayment schedule not specified.	137	139
Others:							
United Breweries (Holdings) Limited	Unrelated	Refer Note 40(f)	9.50%	9.50%	8 years	12,378	12,452
Total						**15,723**	**16,520**

Note: As per contract, simple interest is charged for loans to domestic subsidiaries.

Notes to the Financial Statements (Continued)

(All amounts in INR 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, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Asian Opportunities & Investments Limited	301	301	557	568	592	593
Shaw Wallace Overseas Limited	14	14	-	-	-	-
USL Holdings Limited	56,289	56,289	-	-	-	57,728
USL Holdings UK Ltd	-	-	137	139	143	141
Pioneer Distilleries Limited	1,117	1,117	1,354	1,354	1,354	1,354
Palmer Investment Group Limited	6,918	6,918	-	-	-	-
Montrose International S.A	134	134	-	-	-	-
United Spirits Shanghai Trading Co. Limited	27	27	22	21	22	22
McDowell & Co (Scotland) Limited	126	126	-	-	-	63
Royal Challengers Sports Private Limited	1,699	1,699	1,275	1,888	2,044	2,885
Tern Distilleries Private Limited (upto January 27, 2021)	-	-	-	-	-	54
Liquidity Inc. (upto December 18, 2020)	-	-	-	-	-	76
Sovereign Distilleries Limited	4,730	4,582	-	98	119	98
Hip Bar Private Limited	-	290	-	-	-	-
Total	**71,355**	**71,497**	**3,345**	**4,068**		

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) As part of Diageo group's COVID-19 ("Raising the Bar") programme the Company has committed to spend ₹ 750 million over a period of two years from July 1, 2020, in order to support the post Covid-19 revival and recovery of pubs, bars and restaurants serving alcohol.

Raising the Bar aims to provide non-cash support to qualifying pubs, bars and restaurants serving alcohol in Mumbai, Delhi, Bengaluru and other select cities through the Diageo Bar Academy. The programme includes providing hygiene kits, a range of personal protection equipment (such as masks, gloves, hand sanitizers), digital support and training to help these outlets effectively maintain social distancing and enhanced hygiene standards while deploying confidence building measures for consumers to safely visit and socialize. The amount of ₹ 750 million had been accounted as exceptional item in the Statement of Profit & loss for the year ended March 31, 2021. Also refer note 28(i).

b) On December 01, 2020, the Company received a no-objection letter from the Reserve Bank of India (RBI) for the liquidation of Montrose. Montrose has been liquidated effective April 16, 2021 and an intimation to that effect was received from the regulatory authorities at Panama on May 5, 2021. Subsequent to the liquidation an amount of ₹ 89 million has been repatriated to the Company, which has been accounted as income and presented as an exceptional item in the Statement of Profit & loss for the year ended March 31, 2022. Also refer Note 28(a).

c) During the quarter ended March 31, 2022, the Company carried out a consumer research and insights assessment by a third party with respect to a licensed "logo" from UBHL and determined that the "logo" has no impact on consumer's purchasing decision, thereby resulting in no incremental benefits to the Company. Accordingly, the

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

Company has recorded ₹ 864 million in exceptional item, being the accelerated charge pertaining to unamortized license fee. Also refer note 28(g).

d) **Disposal of shares held in Hip Bar Private Limited**

On August 03, 2021, a share purchase agreement has been executed with Hip Bar Private Limited for sale of the entire stake of the Company [Equity Shares (4,567,568 Nos.) and Compulsory Convertible Preference Shares (1,950,000 Nos.)] in Hip Bar Private Limited for ₹ 5.2 million. Amount received on account of disposal amounting to ₹ 5.2 million has been presented as gain on disposal of associate under Exceptional item. Pursuant to the sale, the Company has also received all rights, title, and interest in the trademarks 'CloudBar' and 'BarOnTheCloud' from Hip Bar Private Limited, which have been valued at Nil. Also refer note 28(b)

e) The Company has taken a charge of INR 340 million on account of impairment of property, plant and equipment. This represents impairment loss on property, plant and equipment in respect of certain manufacturing units and includes provision towards potential regulatory risk arising out of excess land holdings in a state (INR 143 million), which are disclosed as exceptional items (Refer note 28(f)). The Company is in discussion with appropriate authorities to resolve the potential risk.

Note 49: Proposed merger of Pioneer Distilleries Limited with United Spirits Limited:

The Board of Directors ("Board") of PDL and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") 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. Upon completion of the merger, the non-promoter shareholders of PDL will receive 10 equity shares of the Company (face value of INR 2 each) for every 47 equity shares of PDL (face value of INR 10 each), held by them as on the record date. Post the merger, the Company's issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the holding company, a subsidiary of Diageo plc) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities. The BSE Limited and the National Stock Exchange of India Limited have issued their no-objection to the draft scheme and related documents filed, vide observation letters dated October 21, 2020 and October 22, 2020, respectively. The Company, jointly with PDL, has filed an application under Sections 230 to 232 of the Companies Act, 2013 on November 27, 2020 with the National Company Law Tribunal, Bangalore ("NCLT"), and again an Interlocutory Application was filed before NCLT on April 7, 2021. Based on the order of the NCLT received on August 18, 2021, the Company and PDL convened meetings of their respective equity shareholders, and the Company also convened a meeting of its unsecured creditors, on September 30, 2021. The Scheme was approved with requisite majority at these meetings. Subsequently, a joint petition to sanction the Scheme has been filed by USL and PDL with the NCLT on October 02, 2021. Company's petition was heard by the NCLT on January 12, 2022 and April 18, 2022. At the scheduled hearing of the NCLT on May 27, 2022, the matter was not discussed and management is yet to receive the next date for hearing.

The impact of the above merger will be given effect in the standalone financial statements upon approval of the Scheme by the NCLT and completion of the required regulatory filings.

Note 50: Strategic review of selected brands

Following the strategic review of select popular brands announced on February 23, 2021, the Board of Directors of the Company, on May 27, 2022, approved the sale of the business undertaking associated with 32 brands and franchising of 11 Popular brands to an unrelated party. The transaction is subject to the approval of the shareholders and other customary closing conditions. There is no impact of this transaction on the Standalone financial statements for the year ended March 31, 2022.

Note 51: Investment in Nao Spirits

On March 12, 2022, the Company announced strategic investment in Nao Spirits & Beverages Private Limited ("Nao Spirits"). On April 29, 2022, the company completed the acquisition 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. The Company has a call option to acquire remaining shares held by the other shareholders of Nao Spirits at a pre-determined valuation methodology.

Note 52: 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.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

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.

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 Companies (Restriction on Number of Layers) Rules, 2017 ('Layering Rules') is not applicable.

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 account.

ix. **Compliance with approved scheme(s) of arrangements**

The Company has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.

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.

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. The Company does not any investment property during the year.

xiii. **Utilisation of borrowings taken from banks and financial institutions for specific purpose**

The borrowings obtained by the Company from banks have been applied for the purposes for which such loans were was taken, the Company has not availed any loans from financial institutions during the year.

Notes to the Financial Statements (Continued)

(All amounts in INR Millions unless otherwise stated)

xiv. Analytical Ratios

Ratios	Numerator	Denominator	Year ended March 2022	Year ended March 2021	% Variance
Current ratio	Current Assets	Current Liabilities	1.5	1.2	25%
Debt-equity ratio	Net Debt	Shareholder's Equity	0.0	0.2	*-70%
Debt service coverage ratio	Earnings available for debt service	Debt Service	1.6	0.4	**278%
Return on equity ratio	Profit after tax	Average Shareholder's Equity	17.1%	7.8%	***118.1%
Inventory turnover ratio	Cost of goods sold	Average Inventory	13.1	12.4	5%
Trade receivables turnover ratio	Gross Sales	Average Receivables	13.8	12.2	13%
Trade payables turnover ratio	Net Purchases (COGS)	Average Payables	5.0	4.9	2%
Net capital turnover ratio	Gross Sales	Working Capital (Inventories, Trade Receivables and Trade Payables)	10.7	9.8	9%
Net profit ratio	Net Profit	Net Sales	8.2%	3.9%	***108.6%
Return on capital employed	Earnings before interest and taxes	Capital Employed	25.1%	16.2%	***54.7%
Return on investment	Earnings before interest and taxes	Average total assets	15.7%	9.4%	***66.5%

* The Company has repaid all its borrowings during the year ended March 31, 2022, which has resulted in a change in the ratio.

** Company has earned a higher EBDITA and has fully repaid borrowings during the year, which has resulted in a change in Debt service coverage ratio.

*** Growth in revenue contributed to increase in Profit before tax and Earnings before interest and tax resulting in improvement in ratios.

Note 53: Impact of Covid-19

Management has considered various internal and external information available up to the date of approval of Standalone financial statements in assessing the impact of Covid-19 pandemic on the Standalone financial statements for the year ended March 31, 2022. With a large section of the population being vaccinated and based on past-experience of the pandemic, management has determined that COVID-19 is unlikely to have a material impact on the future operations of the Company. The Company continues to maintain a positive outlook for the next financial year and will continue to monitor changes in future economic conditions.

With a surge in the spread of the Covid-19 pandemic in India during the quarter ended June 30, 2021, the Company has committed to spend ₹ 100 million towards improving health infrastructure of Government hospitals and institutions. The amount of ₹ 100 million has been recorded and presented as an exceptional item in the Standalone statement of Profit and loss for the year ended March 31, 2022. Also refer Note 28(c).

Notes 54: Previous year figures have been regrouped / reclassified to conform to the current year's classification.

For **Price Waterhouse & Co Chartered Accountants LLP**
Firm registration number: 304026E/E-300009
Chartered Accountants

Dibyendu Majumder
Partner
Membership number: 057687

Place: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Independent Auditor's Report

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 45(a) and (b) to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at March 31, 2022, 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, 2022 of consolidated total comprehensive income (comprising of profit and other comprehensive income), 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 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 consolidated financial statements under the relevant provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us and other auditors in terms of their reports referred to in paragraphs 18 and 19 of the "Other Matter" section of our report below, other than the unaudited financial information as certified by the management and referred to in paragraph 20 of the "Other Matter" section of our report below, is sufficient and appropriate to provide a basis for our opinion.

4. **Emphasis of Matter**

We draw attention to the following matters:

a) Note 40 (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 Holding Company's erstwhile non-executive Chairman and other potentially improper transactions.

Post completion of Additional Inquiry certain regulatory notices and communications were received from Securities and Exchange Board of India, Directorate of Enforcement and Authorised Dealer banks to which the Holding Company has responded. Subsequently, the Holding 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 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 expenses 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 40(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 INR 459 million demanded by the bank and as directed by the High Court of Karnataka (the "Court"). Based on management assessment supported by external legal opinions, the Holding Company has disclosed the aforesaid amount under Other Non-current financial assets as recoverable from the bank pending the final outcome of the litigation. In a separate proceeding before

Independent Auditor's Report (Continued)

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.

c) As explained in Note 40(f) to the consolidated financial statements, the Holding Company identified certain information suggesting continuing past practices resulting in differences in reporting to the relevant regulatory authorities of yields of certain non-potable intermediates and associated process losses in the liquor manufacturing process. The aforesaid note also describes related actions taken and monitoring of future development by the Holding Company in this respect.

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 judgment, 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
a) Assessment of the appropriateness of provisions recognised and contingent liabilities disclosed in respect of certain tax matters (Refer Notes 8, 18 and 43 to the consolidated financial statements) As at March 31, 2022, 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 Holding 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 management is supported by opinions obtained from external tax counsels/ assessment performed by management. 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 in respect of identifying potential tax exposures or the accounting and disclosures thereof. • Evaluated the related accounting policy for recognising provisions for tax exposures and disclosure of contingent liabilities with requirements of the relevant accounting standards. • Obtained management's assessment in respect of tax demands on whether tax outflow is either probable, possible or remote. • Evaluated the management's assessment with the help of auditor's experts, where necessary, as follows: o For the samples selected, read the correspondences received during the year from the tax authorities/ orders from appellate authorities. o Read and assessed the views provided by the management/ management tax experts as applicable. o Assessed management's positions on significant tax exposures in accordance with tax laws and past precedents of tax judgements. o Assessed completeness of litigations by inquiring with the management, and perusal of Board minutes. o Evaluated the objectivity, independence, competence and capabilities of the management tax experts. o Evaluated the adequacy of 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)

The following Key Audit Matters were included in our audit report dated May 19, 2022, containing an unmodified opinion on the financial statements of Pioneer Distilleries Limited (PDL), a subsidiary of the Holding Company:

Key audit matter	How our audit addressed the key audit matter
Assessment of Going Concern as a basis of accounting: (Refer Note 46(a) to the consolidated financial statements) PDL has incurred a loss of Rs.7,190 lacs for the year and its accumulated losses as at the year-end exceeds it's share capital. Apart from the erosion of net worth, PDL's current liabilities as at the year-end exceeds the value of current assets. These indicators cast doubt on the ability of PDL to generate adequate cash from operations to meet its financial obligations over the next twelve months. However, PDL has received a letter of financial support from it's Holding Company, to support the operations of the Company in the foreseeable future. Management and the Board of Directors of PDL have reviewed and approved the cash flow forecast for the next twelve months. Considering the cash flow forecast and the letter of financial support received from the Holding Company, Management and the Board of Directors of PDL have concluded that there is no material uncertainty, which impacts the ability of the PDL to continue as a going concern. The availability of sufficient funding and testing whether the PDL will be able to continue meeting its obligations are important for the going concern assumption and, as such, are significant aspects of our audit. The cash flow forecast contains assumptions like revenue growth and improvement in plant operations (increase in capacity utilization) where PDL Management has applied judgements that, in the current external environment, are significant. Hence, this area has been considered as a key audit matter.	Our audit procedures included the following: • Understood and evaluated PDL's processes and controls in relation to identifying the risk of going concern and action taken by Management of PDL to address the risk including the design and operating effectiveness of controls in relation to going concern. • Verified the letter of financial support received from the Holding company. • Assessed the financial condition of the Holding Company to examine whether it would be able to enable PDL to meet its obligations as they fall due for a period of at least one year from the date of the balance sheet. • Evaluated the inputs and assumptions used in the cash flow forecast prepared by Management of PDL by evaluating the assumptions and comparing them to external data as well as estimates used in the preparation of PDL's financial statements. • Verified that the cash flow forecast has been prepared considering the attributes of the prior year approved budget and the current year actual performance and that the assumptions considered in the cash flow forecast are consistent and comparable with those in the prior year approved budget; and that the estimates and assumptions have been updated where applicable. Based on the above work performed, PDL Management's assessment of the going concern assumption in the preparation of financial statements of PDL appears reasonable.
Assessment of contingent liabilities and provisions for significant litigations: (Refer Notes 43(e) to the consolidated financial statements) PDL has litigations related to legal and regulatory matters, of which the most significant ones are related to water charges levied on purchase of water for the PDL's processing plant. The amount involved in litigations are significant and Management of PDL applies judgment in estimating the likelihood of the outcome and the amount of liability, if any. We have considered this as a key audit matter as the amounts are significant to the PDL's financial statements and the eventual outcome of these matters is uncertain and the position taken by Management is based on the exercise of significant judgement, supported by external legal advice, where applicable.	Our audit procedures included the following: • Understood and evaluated the PDL's processes and controls in relation to identifying the risk of not identifying or not disclosing significant litigations and the actions taken by Management of PDL to address the risk including the design and operating effectiveness of controls in relation to litigations. • Inquired with PDL's internal legal counsel on the status of litigations and examined underlying notices from Government authorities. • Verified the underlying calculations supporting the appropriateness of related provision recognised and contingent liability disclosed. • Sought and obtained direct confirmation from external lawyers assisting PDL in dealing with the litigations. Based on the above work performed, PDL Management's assessment in respect of litigations and related disclosures relating to contingent liabilities, where applicable, appears 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 Report of the Directors, Business Responsibility Report, Corporate Governance Report and Management Discussion and Analysis, 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 companies 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 companies and the trustees of the Trust are responsible for assessing the ability of the Group and 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 its associate company 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 judgment and maintain professional scepticism throughout the audit.

14. 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 controls.

    b) Obtain an understanding of internal controls 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 financial statements in place and the operating effectiveness of such controls.

Independent Auditor's Report (Continued)

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, associate company and its trust 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.

15. 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 controls that we identify during our audit.

16. 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.

17. 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 Matter

18. 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 INR 41 million and net assets of INR 41 million as at March 31, 2022, total revenue of Nil, total comprehensive loss (comprising of loss and other comprehensive income) of INR 0* million and net cash outflows of INR 0* million for the year ended March 31, 2022, have been prepared in accordance with accounting principles applicable to the trust and have been audited by the other auditor 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 the Management of the Holding Company as necessary and audited by us.

(*) '0' indicates that the amounts involved are below INR five lakhs.

19. We did not audit the financial statements of 9 subsidiaries located outside India, included in the consolidated financial statements, whose financial statements constitute total assets of INR 212 million and net assets of INR 193 million as at March 31, 2022, total revenues of Nil, total comprehensive loss (comprising of loss and other comprehensive income) of INR 10 million and net cash inflows of INR 74 million for the year ended March 31, 2022, 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

Independent Auditor's Report (Continued)

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.

20. The consolidated financial statements include: (i) financial information relating to one subsidiary which has been liquidated during the year and which reflect total assets of Nil and net assets of Nil as at March 31, 2022, total revenue of Nil, total comprehensive loss (comprising of loss and other comprehensive income) of Nil and net cash outflows of Nil for the year then ended; and ii) Group's share of total comprehensive loss of Nil (comprising of loss and other comprehensive income) for the year ended March 31, 2022 in respect of an associate company which has been sold during the year. The said financial information relating to one subsidiary and the associate company have not been audited by us. The financial information relating to one subsidiary 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 statements, insofar as it relates to the amounts and disclosures included in respect of the aforesaid subsidiary 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.

21. 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 18 and 19 with respect to our reliance on the work done and the reports of the other auditors and as specified in paragraph 20 with respect to the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

22. 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.

23. As required by Section 143(3) of the Act, to the extent applicable, 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 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.

(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, 2022 and taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies incorporated in India are disqualified as on March 31, 2022 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, 2022 on the consolidated financial statements. [Refer Notes 8, 18, 40(d), 40(e) and 43 to the consolidated financial statements]

Independent Auditor's Report (Continued)

ii. The Group has long-term contracts for which there are no material foreseeable losses, The Group did not have derivative contracts as at March 31, 2022 – Refer Note 51 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 companies, incorporated in India during the year ended March 31, 2022. Also refer Note 17 to the consolidated financial statements.

iv. (a) The respective Managements of the Holding Company and its subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act have represented to us, 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 any of such subsidiaries 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 any of such subsidiaries ("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 subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act have represented to us, no funds (which are material either individually or in the aggregate) have been received by the Holding Company or any of such subsidiaries from any person or entity, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries 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 the audit procedures, that has been considered reasonable and appropriate in the circumstances, performed by us and those performed by the auditors of the subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditor's notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) contain any material misstatement.

v. The Holding Company, its subsidiary companies in India and an associate company in India have not declared any dividend during the year.

24. The Holding Company and its subsidiary companies incorporated in India have 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: 22057687AJSYKP6717

Place: Bengaluru
Date: May 27, 2022

Annexure A to Independent Auditor's Report

Referred to in paragraph 23(f) of the Independent Auditor's Report of even date to the members of United Spirits Limited on the consolidated financial statements for the year ended March 31, 2022

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, 2022, we have audited the internal financial controls with reference to financial statements of United Spirits Limited (hereinafter referred to as "the Holding Company") and its subsidiary companies which are companies 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 companies, 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 companies, which are companies 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 Company's internal financial controls system with reference to financial statements of the Holding Company and its subsidiary companies, which are companies incorporated in India.

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 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

Annexure A to Independent Auditor’s Report Continued)

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 companies which are companies 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, 2022, 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: 22057687AJSYKP6717

Place: Bengaluru
Date: May 27, 2022

Annexure B to Independent Auditor's Report

Referred to in paragraph 22 of the Independent Auditors' Report of even date to the members of United Spirits Limited on the Consolidated Financial Statements as of and for the year ended March 31, 2022

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 27, 2022	(i) (c), (iii)(c), (iii)(d), (iii)(e), (vii)(a), (vii)(b)
2.	Pioneer Distilleries Limited	L24116KA1992PLC125992	Subsidiary	May 19, 2022	(vii)(b), (ix)(d), (xvii)
3.	Royal Challengers Sports Private Limited	U92400KA2008PTC045565	Subsidiary	May 12, 2022	(vii)(b), (ix)(d)
4.	Sovereign Distilleries Limited	U15511TG2001PLC036282	Subsidiary	May 20, 2022	(ii)(a), (vii)(a), (ix)(d), (xvii)

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/ E-300009
Chartered Accountants

Dibyendu Majumder
Partner
Membership Number: 057687
UDIN: 22057687AJSYKP6717

Place: Bengaluru
Date: May 27, 2022

Consolidated Balance Sheet

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2022	As at March 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	3.1	12,152	13,247
Right-of-use Assets	3.2	2,606	1,644
Capital work-in-progress	3.3	877	883
Goodwill	3.4	210	210
Intangible assets	3.4	3,580	3,755
Intangible assets under development	3.5	80	84
Investment Property	3.6	-	75
Financial assets			
Other financial assets	6	1,485	1,813
Deferred tax assets	7	1,478	1,711
Current tax assets (net) (Non-current)	8	12,614	10,823
Other non-current assets	9	2,397	3,095
Total non-current assets		**37,479**	**37,340**
Current assets			
Inventories	10	21,567	20,519
Financial assets			
Investments	4.3	2,221	-
Trade receivables	11	23,736	21,872
Cash and cash equivalents	12	545	778
Bank balances other than cash and cash equivalents	13	58	61
Loans	5	113	14
Other financial assets	6	772	2,328
Other current assets	9	2,622	2,458
Total current assets		**51,634**	**48,030**
Total assets		**89,113**	**85,370**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	1,453	1,453
Other equity			
Reserves and surplus	15	48,084	39,745
Equity attributable to the owners of United Spirits Limited		**49,537**	**41,198**
Non-controlling interests		(789)	(609)
Total equity		**48,748**	**40,589**
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	16	9	22
Lease Liabilities	3.2	1,341	925
Deferred tax liabilities	7	483	261
Provisions	18	149	96
Other non-current liabilities	20	-	100
Total non-current liabilities		**1,982**	**1,404**

Consolidated BalanceSheet (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	As at March 31, 2022	As at March 31, 2021
Current liabilities			
Financial liabilities			
Borrowings	16	3,408	8,768
Lease Liabilities	3.2	1,296	653
Trade payables			
(A) total outstanding dues of micro and small enterprises; and	19	793	662
(B) total outstanding dues of creditors other than micro and small enterprises	19	15,028	13,510
Other financial liabilities	17	1,823	1,975
Provisions	18	4,880	5,738
Current tax liabilities (net)	8	2,765	3,225
Other current liabilities	20	8,390	8,846
Total current liabilities		**38,383**	**43,377**
Total liabilities		40,365	44,781
Total equity and liabilities		**89,113**	**85,370**

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: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Consolidated Statement of Profit and Loss

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2022	For the year ended March 31, 2021
INCOME			
Revenue from operations	21	310,618	274,185
Other income	22	355	396
Total income		**310,973**	**274,581**
EXPENSES			
Cost of materials consumed	23	47,969	39,731
Purchase of stock-in-trade		5,773	3,494
Change in inventories of finished goods, work-in-progress and stock-in-trade	24	(827)	1,331
Excise duty		213,494	192,872
Employee benefits expense	25	6,531	5,564
Depreciation, amortisation and impairment expense	26	3,038	2,991
Others:			
Advertisement and sales promotion		6,949	5,747
Loss allowance on trade receivables and other financial assets (net)		(129)	510
Other expenses	27	14,777	14,409
Finance costs	28	880	1,876
Total expenses		**298,455**	**268,525**
Profit before exceptional items, share of net profit of investments in associates accounted for using equity method and tax		**12,518**	**6,056**
Share of net profit/(loss) in associate accounted for using equity method		-	(13)
Profit before exceptional items and tax		**12,518**	**6,043**
Add/ (Less): Exceptional items (net)	29	(1,652)	(643)
Profit before tax		**10,866**	**5,400**
Tax expense:	**30**		
Current tax		2,593	1,764
Current tax relating to earlier years		(247)	(31)
Deferred tax (credit) / charge		414	46
Total tax expense		**2,760**	**1,779**
Profit for the year		**8,106**	**3,621**
Other comprehensive income			
A. Items that will be reclassified to profit or loss			
(i) Exchange difference on translation of foreign operations		1	15
B. Items that will not be reclassified to profit or loss			
(i) Remeasurements of post-employment benefit plans	39(b)E	164	67
(ii) Income tax credit / (charge) relating to these items		(41)	(19)
Other comprehensive income for the year, net of income tax		**124**	**63**
Total comprehensive income for the year		**8,230**	**3,684**

Consolidated Statement of Profit and Loss (Continued)

(All amounts in ₹ Millions unless otherwise stated)

	Notes	For the year ended March 31, 2022	For the year ended March 31, 2021
Profit is attributable to:			
Owners of United Spirits Limited		8,286	3,836
Non-controlling interests		(180)	(215)
		8,106	**3,621**
Other comprehensive income is attributable to:			
Owners of United Spirits Limited		124	65
Non-controlling interests		-	(2)
		124	**63**
Total comprehensive income is attributable to:			
Owners of United Spirits Limited		8,410	3,901
Non-controlling interests		(180)	(217)
		8,230	**3,684**
Basic and diluted earnings per share (₹)	31	11.68	5.41

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: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Consolidated Statement of Changes in Equity

A. Equity

Particulars	Note	Amount
Equity share capital As at April 1, 2020	14	1,453
Changes in equity share capital		-
Equity share capital As at March 31, 2021	14	1,453
Changes in equity share capital		-
Equity share capital As at March 31, 2022	14	1,453

B. Other equity

		Attributable to owners of United Spirits Limited												
		Reserves and surplus												
Particulars	Note	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	Non-Controlling interest	Total
Balance as at April 1, 2020	**15**	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**58**	**184**	**110**	**10,408**	**(25,840)**	**35,827**	**(413)**	**35,414**
Profit/(Loss) for the year		-	-	-	-	-	-	-	-	-	3,836	3,836	(215)	3,621
Non controlling Interest derecognised on disposal of subsidiary		-	-	-	-	-	-	-	-	-	-	-	21	21
Reclassification adjustment on disposal of subsidiary		-	-	-	-	-	-	6	-	-	-	6		6
Other comprehensive income (OCI), net of tax		-	-	-	-	-	-	15	-	-	50	65	(2)	63
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**21**	**-**	**-**	**3,886**	**3,907**	**(196)**	**3,711**
Share based incentives	35	-	-	-	-	-	70	-	-	-	-	70	-	70
Cross charge by a Diageo group company during the year towards share based payments	37(b)(x)	-	-	-	-	-	(59)	-	-	-	-	(59)	-	(59)
Balance as at March 31, 2021	**15**	**5,675**	**699**	**45,682**	**(1,197)**	**48**	**69**	**205**	**110**	**10,408**	**(21,954)**	**39,745**	**(609)**	**39,136**
Profit for the year		-	-	-	-	-	-	-	-	-	8,286	8,286	(180)	8,106
Minority Interest transfer on disposal of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification adjustment on disposal of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	-
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	37(b)(x)	-	-	-	-	-	(124)	-	-	-	-	(124)	-	(124)
Balance as at March 31, 2022		**5,675**	**699**	**45,682**	**(1,197)**	**48**	**(2)**	**205**	**110**	**10,408**	**(13,544)**	**48,084**	**(789)**	**47,295**

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: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Consolidated Statement of Cash Flows

(All amounts in ₹ Millions unless otherwise stated)

		Notes	For the year ended March 31, 2022		For the year ended March 31, 2021	
A.	**CASH FLOW FROM OPERATING ACTIVITIES**					
	Profit before tax			**10,866**		**5,400**
	Adjustments for					
	Depreciation, amortisation and impairment expense	26	3,038		2,991	
	Employee share-based payment expense	25	255		66	
	Loss allowance on trade receivables and other financial assets (net)		(129)		510	
	Provision on doubtful other assets (net)	27	158		61	
	Exchange gain (net) on translation of foreign currency monetary assets and liabilities		1		15	
	Finance costs	28	880		1,876	
	Liabilities/ provisions no longer required written back	22	(134)		(86)	
	Gain on disposal of property, plant and equipment (net)	22	(123)		(168)	
	Profit on sale of Investment property	22	(6)		-	
	Interest income	22	(61)		(111)	
	Share of net (profit)/loss in associate accounted for using equity method	4.1	-		13	
	Exceptional items	29	1,652		643	
				5,531		**5,810**
	Operating profit before working capital changes			**16,397**		**11,210**
	(Increase) / decrease in trade receivables		(2,051)		652	
	(Increase) / decrease in other financials assets		1,849		811	
	(Increase) / decrease in other assets		(455)		474	
	(Increase) / decrease in inventories		(1,048)		(1,244)	
	Increase / (decrease) in trade payables		1,227		2,092	
	Increase / (decrease) in other financial liabilities		(101)		328	
	Increase / (decrease) in other liabilities		(647)		4,565	
	Increase / (decrease) in provisions		(827)		357	
				(2,053)		**8,035**
	Cash generated from operations			**14,344**		**19,245**
	Income taxes paid (net of refund)			(4,570)		(1,068)
	Net cash generated from operating activities (A)			**9,774**		**18,177**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**					
	Purchase of property, plant and equipment and intangible assets		(1,340)		(1,589)	
	Advance lease payments for right-of-use assets		-		(148)	
	Proceeds from sale of property, plant and equipment		384		354	
	(Purchase) / redemption of current Investments (net)		(2,221)		-	
	Investments in an associate		-		(20)	
	Proceeds from sale / disposal of investment in subsidiaries		-		300	
	Proceeds from disposal of investment in an associate		5		-	
	Loans given to others		(100)		-	
	Interest received		64		111	
	Proceeds from sale of investment property		81		-	
	Net cash inflow / (outflow) from investing activities (B)			**(3,127)**		**(992)**

Consolidated Statement of Cash Flows (Continued)

(All amounts in ₹ Millions unless otherwise stated)

		Notes	For the year ended March 31, 2022		For the year ended March 31, 2021	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Repayment of long term loans	16	-		(7,500)	
	Net proceeds / (repayment) of working capital loans	16	(5,357)		(7,315)	
	Repayment of deferred sales tax liability	16	(20)		(26)	
	Interest paid on borrowings	16	(382)		(1,264)	
	Principal repayment of lease liabilities	16	(1,002)		(807)	
	Interest paid on lease liabilities		(119)		(156)	
	Net cash inflow / (outflow) from financing activities (C)			**(6,880)**		**(17,068)**
	Net increase / (decrease) in cash and cash equivalents			**(233)**		**117**
	Cash and cash equivalents as at the beginning of the year			778		661
	Effects of exchange rate changes on cash and cash equivalents			0		0
	Net increase / (decrease) in cash and cash equivalents (as above)			(233)		117
	Cash and cash equivalents as at the end of the year	**12**		**545**		**778**
	Non-cash financing and investing activities					
	Acquisition of right of use assets	3.2		2,292		638

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: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Notes to the Financial Statements

Group overview

United Spirits Limited ("the 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 Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL).

These consolidated financial statements are approved for issue by the Company's Board of Directors on May 27, 2022.

Note 1 - Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated 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 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 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 Group has adopted the following amendments to Ind AS standards from April 1, 2021:

- Extension of COVID-19 related concessions – amendments to Ind AS 116
- Interest rate benchmark reform – amendments to Ind AS 109, Financial Instruments, Ind AS 107, Financial Instruments: Disclosures, Ind AS 104, Insurance Contracts and Ind AS 116, Leases.

The amendments listed above did not have any impact on the amounts recognised in current and prior periods and are not expected to significantly affect any future periods.

(v) Amendments to Standards issued but not yet effective

The Ministry of Corporate Affairs has vide notification dated 23 March 2022 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amended the following accounting standards. These amendments are effective from April 01,2022 and early adoption is permitted in some cases.

- Ind AS 16, Property Plant and equipment
- Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets
- Ind AS 101, First time adoption of Indian Accounting Standards
- Ind AS 103, Business Combinations
- Ind AS 109, Financial Instruments
- Ind AS 41, Agriculture

The above amendments are not likely to have any material impact on the consolidated financial statements of the Company for the current or future reporting period.

Notes to the Financial Statements (Continued)

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 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.

(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.

Notes to the Financial Statements (Continued)

(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.

(iii) Translation 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, Investment Properties 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 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	30 – 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.

Notes to the Financial Statements (Continued)

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.

Investment Properties

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 derecognized.

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.

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.

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

Notes to the Financial Statements (Continued)

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.

Asset held for sale

Non-current assets are classified as held for sale under current assets if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable and is expected to be completed within one year from the balance sheet date. Such assets are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of such asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of such non-current assets is recognised at the date of de-recognition.

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.

Notes to the Financial Statements (Continued)

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 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 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, a financial asset is 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 Statement of Profit and Loss.

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

Notes to the Financial Statements (Continued)

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 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.

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) **Offsetting 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.

1.7 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.

Notes to the Financial Statements (Continued)

1.8 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.

1.9 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-IPL franchise

(i) Revenue from various contractual arrangements for central rights, sponsorship, royalty and licensing fee

Central Rights income – The Group receives a share of central rights revenue from BCCI for conducting and participating in cricket matches during IPL league season. Central Rights revenue is recognised on a straight line basis over 5 IPL seasons (IPL 11 to IPL 15) based on current terms of arrangement with BCCI.

Sponsorship Income, Royalty and licensing fee – The Group receives sponsorship revenue for displaying sponsor's logo/ brand on the players jersey, company website etc. Royalty and licensing revenue is received from customers for usage of RCB brand name, RCB logo, player photograph etc. Revenue from Sponsorship and Royalty and Licensing Contracts are recognised over the period of IPL league season, based on number of matches played, which corresponds with the period of service.

Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in the statement of profit and loss in the period in which the circumstances that give rise to the revision become known to the management.

Contract assets are in the nature of unbilled receivables where the Group has partially satisfied the performance obligation and hence does not have an unconditional right to consideration. Where the Group has an obligation to transfer goods or services to a customer for which the Group has received consideration from the customer in advance, a contract liability is recognised.

(ii) Revenue from sale of tickets

The Group earns revenue from sale of tickets for home league IPL matches. Revenue from sale of tickets is recognised in the period when the matches are played.

(iii) Transfer fees

Fee received for transfer of players to another franchisee is recognised when the Group transfers control of rights on the player.

Notes to the Financial Statements (Continued)

(iv) Play-off fees

Group receives a share of income from BCCI for qualifying for the play-offs in the tournament and this is recognised in financial year in which such tournament is concluded.

1.10 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 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

Notes to the Financial Statements (Continued)

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 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.

1.11 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.

1.12 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.

1.13 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 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

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.

1.19 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.

Notes to the Financial Statements (Continued)

The areas involving critical estimates and judgements are:

- Estimation of provisions recognised and contingent liabilities disclosed in respect of tax matters – Notes 8, 18, 40(g) and 43
- Impairment of trade receivables- Notes 32

Note:

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 Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

3.1 Property, Plant and Equipment

	Owned						Total
	Freehold Land	Buildings [Refer Note (a) below]	Plant and Equipment	Furniture and Fittings	Office Equipment	Vehicles	
Year ended March 31, 2021							
Gross carrying amount							
Opening	2,595	4,828	13,068	517	563	19	21,590
Additions	201	270	1,400	-	10	-	1,881
Disposals	(44)	(139)	(422)	(15)	(11)	-	(631)
Disposal of subsidiary	(5)	(82)	(284)	-	-	-	(371)
Closing gross carrying amount	**2,747**	**4,877**	**13,762**	**502**	**562**	**19**	**22,469**
Accumulated depreciation and impairment							
Opening	-	1,040	6,265	348	384	15	8,052
Depreciation charge for the year	-	259	1,381	31	83	-	1,754
Impairment during the year	-	-	70	-	-	-	70
Disposals	-	(54)	(367)	(15)	(10)	-	(446)
Disposal of subsidiary	-	(20)	(188)	-	-		(208)
Closing accumulated depreciation and impairment	**-**	**1,225**	**7,161**	**364**	**457**	**15**	**9,222**
Net carrying amount as at March 31, 2021	**2,747**	**3,652**	**6,601**	**138**	**105**	**4**	**13,247**
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 charge for 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**

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 accounted an impairment provision of INR 340 million (2021: INR 70 million) on property, plant and equipment. Refer note 41(d).

Property, plant and equipment pledged as security

Refer to note 34 for information on property, plant and equipment pledged as security by the Group.

3.2 Leases

This note provides information for leases where the Group is a lessee. The Group takes 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- cancelable lease terms.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(i) Amounts recognised in Balance Sheet

	As at March 31, 2022	As at March 31, 2021
Right-of-use assets		
Leasehold land	80	81
Buildings	158	482
Plant and equipment	2,252	889
Office equipment	116	192
Total	**2,606**	**1,644**
Movement of right-of-use assets during the year		
Opening right-of-use assets	1,644	1,975
Additions	2,292	638
Depreciation for the year	(1,099)	(899)
Deletions to right-of-use assets	(231)	(70)
Closing right-of-use assets	**2,606**	**1,644**
Lease Liabilities		
Current	1,296	653
Non-current	1,341	925
Total	**2,637**	**1,578**

(ii) Amounts recognised in the Statement of Profit and Loss

		Notes	For the year ended March 31, 2022	For the year ended March 31, 2021
(a)	**Depreciation charge of right-of-use assets**			
	Leasehold land		1	1
	Buildings		211	130
	Plant and equipment		805	663
	Office equipment		82	105
	Total	26	**1,099**	**899**
(b)	Interest expenses (included in finance cost)	28	119	156
(c)	Lease related expenses included in Rent expenses			
	Short term leases		59	68
	Leases of low value assets		1	67
	Variable lease payments (not included in lease liabilities)		2,456	2,153
	Total	27	**2,516**	**2,288**

(iii) The total cash outflow for leases for the year ended March 31, 2022 was ₹ 3,728 million (2021:₹ 3,343 million). This excludes advance lease payments amounting to Nil (2021: ₹ 148 million) in respect of one leasing arrangement, representing lease payments for approximately 12 months, which has been presented as a cash outflow under investing activities in the statement of cash flows.

Notes:

(a) Additons to the right-of-use assets for year ended March 31, 2022 aggregate to ₹ 2,292 Million (2021: ₹ 638 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

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

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 :

	As at March 31, 2022	As at March 31, 2021
*Opening capital work-in-progress	883	1,041
Additions	1,234	1,723
Assets capitalised during the year	(1,240)	(1,881)
Closing capital work-in-progress	**877**	**883**

*Projects temporarily under suspension as at March 31, 2022 amount's to ₹ 30 Million (March 31, 2021 amounting to ₹ 30 Million).

The ageing schedule for capital work in progress is set-out below :

Projects in progress	As at March 31, 2022	As at March 31, 2021
Less than 1 year	643	721
1-2 years	202	128
2-3 years	25	34
More than 3 year	**37**	**30**
	907	**913**
Less: Provision for impairment of capital work-in-progress	30	30
Total	**877**	**883**

For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, completion schedule is set-out below:

	March 31, 2022	March 31, 2021
Less than 1 year		
Health, Safety and Environment protection projects	68	284
Support core growth projects	-	5
Productivity improvement projects	263	73
Others	185	130
	516	**492**
1-2 Years	-	-
2-3 Years		
Productivity improvement projects	-	9
More than 3 Years		
Productivity improvement projects (Gross)	38	30
Total	**554**	**531**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

3.4 Intangible assets

Particulars	Other Intangible Assets					Goodwill
	Brands	License	Computer Software	Franchise Right [Refer Note (a) below]	Total	
Year ended March 31, 2021						
Gross carrying amount						
Opening	114	38	384	3,997	4,533	1,385
Additions to internally developed intangible assets	-	-	151	-	151	-
Additions during the year	-	-	37	-	37	-
Disposals	-	-	(103)	-	(103)	-
Closing gross carrying amount	**114**	**38**	**469**	**3,997**	**4,618**	**1,385**
Accumulated amortisation and impairment						
Opening	114	18	100	465	697	1,175
Amortisation charge for the year	-	3	103	93	199	-
Impairment charge for the year	-	-	69	-	69	-
Disposals	-	-	(103)	-	(103)	-
Closing accumulated amortisation and impairment	**114**	**21**	**169**	**558**	**862**	**1,175**
Net carrying amount as at March 31, 2021	**-**	**17**	**300**	**3,439**	**3,756**	**210**
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	-
Disposals	-	-	-	-	-	-
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	-
Disposals	-	-	-	-	-	-
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**

Note:

a. The Group has estimated the useful life of the franchisee right to be 50 years/IPL seasons. The actual useful life may differ depending on various circumstances. If the useful life were shorter by 5 years, the carrying amount of franchise right would be ₹ 3,137 million (2021: ₹ 3,271 million). If the useful life were longer by 5 years, the carrying amount would be ₹ 3,457 million (2021: ₹ 3,501 million).

b. Brands have indefinite life and remaining useful life of the license is 4.5 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 36 years/IPL seasons. (2021 : 37 years/IPL seasons).

c. Refer Note 45(c) for subsidiary wise details of movement in Goodwill.

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 is set-out below :

Particulars	As at March 31, 2022	As at March 31, 2021
Opening intangible assets under development	84	170
Additions	26	65
Intangible assets capitalised during the year	(30)	(151)
Closing intangible assets under development	**80**	**84**

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 :

Projects in progress	As at March 31, 2022	As at March 31, 2021
Less than 1 year	6	82
1-2 years	74	-
Total	**80**	**82**

a) There were no projects under suspension as at March 31, 2022 and March 31, 2021.

Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan is set-out below:

Particulars	As at March 31, 2022	As at March 31, 2021
Less than 1 year		
ERP related development project	39	36
Business application related development project	27	24
Others	-	6
Total	**66**	**66**

a) There were no projects which are expected to be completed after the expiry of one year as at March 31, 2022 and March 31, 2021.

3.6 Investment Property

Particulars	As at March 31, 2022	As at March 31, 2021
Gross Carrying Amount		
Opening	75	-
Reclassified from Asset held for Sale	-	75
Disposed during the year	(75)	-
Closing gross carrying amount	**-**	**75**
Accumulated Depreciation		
Opening	-	-
Depreciation charge for the year	-	-
Closing accumulated depreciation	**-**	**-**
Net carrying amount	**-**	**75**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Amounts recognised in statement of profit and loss for investment property

Particulars	As at March 31, 2022	As at March 31, 2021
Direct operating expenses	4	1
Total	**4**	**1**
Gain on disposal of investment property	6	-
Total	**6**	**-**

Fair Value

	As at March 31, 2022	As at March 31, 2021
Investment Property	-	86
Total	**-**	**86**

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

(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.

Investment property has been sold during the year and the gain on sale has been recognised in the consolidated statement of profit and loss. Accordingly, fair value of the investment property has not been disclosed as at March 31, 2022.

4.1 Investments accounted for using Equity Method

An analysis of the Group's interests in associates is as follows:

Particulars	As at March 31, 2022	As at March 31, 2021
As at the beginning of the year	-	219
Share of profits/ (losses) for the year	-	(13)
Impairment in the value of Investment	-	(206)
As at the end of the year	**-**	**-**

Management has determined that its investment in associate is not material to the Group.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

The financial information of the associates is as follows:

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Profit/ (Loss) after tax	-	(59)
Other comprehensive income	-	-
Total comprehensive income	**-**	**(59)**

Note:

(a) Hip Bar, incorporated on February 20, 2015, owns and operates a web-based mobile application under the name and style of "HIPBAR", which acts as an electronic payment platform servicing the beverage alcohol industry and its consumers. Hip Bar has been treated as an "associate company", i.e., by virtue of the Group having a shareholding in excess of 20% in Hip Bar.

b) During the year ended March 31, 2021, Management had fully impaired its investment in Hip Bar Private Limited as the associate ceased it's operations. During the current year, the group has sold investment in Hip Bar Private Limited. Refer note 41(c).

4.2 Investments

Investment in compulsary convertible preference shares (CCPS) carried at fair value through profit and loss (fully paid-up)	As at March 31, 2022	As at March 31, 2021
Hip Bar Private Limited [Refer note below]	-	-
(Nil (2021: 1,950,000) CCPS having face value of ₹ 10 each)	-	-
As at the end of the year	**-**	**-**

a) On October 1, 2020, Group invested ₹ 20 million in CCPS issued by Hip Bar Private Limited, which had been carried at fair value through profit and loss. The Group had recognised a fair value loss of ₹ 20 million during the year ended March 31, 2021. During the current year, the Group has sold its investment in Hip Bar Private Limited. Refer Note 41(c).

4.3 Investments in Mutual funds

Quoted	Face value	Number of shares	As at March 31, 2022	Number of shares	As at March 31, 2021
Aditya Birla Sun Life Liquid Fund-Direct Growth	343.13	612,177	210	-	-
Axis Liquid Fund-Direct Growth	2,364.08	88,852	210	-	-
HDFC Liquid Fund-Direct Growth	4,184.74	44,226	185	-	-
HDFC Overnight Fund-Direct Growth	3,157.45	39,604	125	-	-
ICICI Prudential Liquid Fund-Direct Growth	315.26	602,927	190	-	-
ICICI Prudential Overnight Fund-Direct Growth	114.61	2,050,766	235	-	-
Kotak Liquid Fund-Direct Growth	4,303.08	46,497	200	-	-
Kotak Overnight Fund-Direct Growth	1,133.80	105,890	120	-	-
Nippon India Liquid Fund-Direct Growth	5,208.03	40,333	210	-	-
SBI Liquid Fund-Direct Growth	3,333.09	60,027	200	-	-
SBI Overnight Fund-Direct Growth	3,461.35	36,181	126	-	-
UTI Liquid Cash Plan-Direct Growth	3,488.04	60,222	210	-	-
Aggregate market value of quoted investments			**2,221**	**-**	**-**
Aggregate amount of quoted investments			2,221		
Aggregate market value of quoted investments			2,221		

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

5. Loans

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Loans				
Loan to UBHL [Refer Note 40(d)]	-	12,378	-	12,452
Loans to employees	13	-	14	-
Loan to others	100	-	-	-
	113	**12,378**	**14**	**12,452**
Less: Loss allowance				
Loan to UBHL [Refer Note 40(d)]	-	(12,378)	-	(12,452)
	-	(12,378)	-	(12,452)
Total loans	**113**	**-**	**14**	**-**

	As at March 31, 2022	As at March 31, 2021
Details of securities/ categorisation of credit risk on loans		
Loans considered good- secured	-	-
Loans considered good- unsecured	113	14
Loans which have significant increase in credit risk	-	-
Loans- credit impaired	12,378	12,452
Total	**12,491**	**12,466**
Less: Loss allowance	(12,378)	(12,452)
Total Loans	**113**	**14**

Refer Note 32 for information about financial risk management.

6. Other financial assets

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Balances with banks [Refer Note below]	-	792	-	792
Receivable from related parties [Refer note 37(c)(i)]	27	-	23	-
Government grant	239	861	171	1,102
Receivable from Tie-up manufacturing units	992	109	2,470	348
Security deposits	220	75	247	162
Other receivables	22	134	25	134
	1,500	**1,971**	**2,936**	**2,538**
Less: Loss allowance				
Government grant	-	(243)	-	(243)
Receivable from Tie-up manufacturing units	(599)	(109)	(485)	(348)
Security deposits	(107)	-	(105)	-
Other receivables	(22)	(134)	(18)	(134)
	(728)	**(486)**	**(608)**	**(725)**
Total other financial assets	**772**	**1,485**	**2,328**	**1,813**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note

Balances with banks comprise:

(a) Deposit of ₹ 459 million (2021: ₹ 459 million) with a bank in suspense account (Refer Note 40(e)).

(b) fixed deposits of ₹ 327 million (2021: ₹ 321 million) with a bank kept under escrow pending resolution of various taxation matters.

(c) Margin money against bank guarantees ₹ 1 million (2021: ₹ 1 million).

(d) Represents Bank deposits under lien in respect of bank guarantees provided to tax authorities ₹ 5 million (2021: ₹ 11 million).

Refer Note 32 for information about financial risk management.

7. Deferred tax assets (net)

	As at March 31, 2022	As at March 31, 2021
Deferred tax assets		
Allowance for doubtful receivable balances	796	835
Provisions allowed on payment basis	836	1,102
Carried forward tax losses and unabsorbed depreciation	268	511
Indexation benefit on land	74	74
Lease Liabilities	26	254
Others	71	79
	2,071	**2,855**
Deferred tax liabilities		
Depreciation and amortisation	1,050	1,154
Right-of-use assets	26	251
	1,076	**1,405**
Total Deferred tax assets (net)	**995**	**1,450**
Deferred tax assets (net)	1,478	1,711
Deferred tax liabilities (net)	483	261

Movement in deferred tax assets	Allowance for doubtful receivable balances	Provisions allowed on payment basis	Carried forward tax losses and unabsorbed depreciation	Indexation benefit on land	Depreciation and amortisation	Lease Liabilities	Right-of-use assets	Others	Total
At March 31, 2020	**945**	**1,030**	**739**	**80**	**(1,301)**	**495**	**(477)**	**3**	**1,514**
(Charged) / Credited:									
- to profit and loss	(110)	91	(228)	(6)	147	(241)	226	76	(45)
- to other comprehensive income	-	(19)	-	-	-	-	-	-	(19)
At March 31, 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**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

8. Current tax balances

	As at March 31, 2022	As at March 31, 2021
Current tax liabilities (net of advance tax)	2,765	3,225
Current tax assets (Non-current) (net of provision for current tax)	12,614	10,823
Closing balance	**9,849**	**7,598**

Notes:

(a) The above amounts include amounts paid under protest of INR 13,437 million (2020: INR 10,271 million) pertaining to various assessment years.

9. Other assets

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Capital advances [Refer Note (a) and (b) below]				
Considered good	-	155	-	100
Considered doubtful	-	2	-	24
Balances with government authorities [Refer Note (c) below]				
Considered good	1,097	1,927	593	1,901
Considered doubtful	47	171	40	74
Advances to suppliers				
Considered good	393	-	472	-
Considered doubtful	56	777	63	734
Net surplus in gratuity plan [Refer Note 39(b)C]	-	335	-	369
Pre-paid expenses	1,132	-	1,392	722
Other advances				
Considered good	-	3	1	3
	2,725	**3,370**	**2,561**	**3,927**
Less: Allowance for doubtful balances	(103)	(973)	(103)	(832)
Total other assets	**2,622**	**2,397**	**2,458**	**3,095**

Note:

(a) Capital advances considered good includes an amount of ₹ 17 million (2021: ₹ 17 million) being advance paid towards purchase of land pursuant to an "agreement to sell" entered by Pioneer Distilleries Limited ("PDL") with the owners of the land. PDL is in the process of resolving certain matters and expects to execute the sale deed and have the same registered in due course.

(b) Capital advances considered doubtful includes an amount of ₹ 22 million (2021: ₹ 22 million) in which multiple cases have been filed by the land owners against Soverign Distilleries Limited ("SDL") and erstwhile promoters of SDL for declaration and vacant posession of land belonging to them. SDL has filed a written statement along with a counter claim before the Court of Principal Civil Judge at Sindhanur. The amount of ₹ 22 million (2021: ₹ 22 million) is considered doubtful of recovery and has been fully provided for.

(c) Balances with government authorities include amounts paid under protest amounting to ₹ 1,773 million (2021: ₹ 1,513 million).

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

10. Inventories

	As at March 31, 2022	As at March 31, 2021
(Valued at lower of cost and net realisable value)		
Raw materials	3,406	3,661
[including materials in transit ₹ 475 million (2021: ₹ 393 million)]		
Work-in-progress [Refer Note (a) below]	5,995	6,289
Finished goods	8,233	7,255
[including goods in transit ₹ 1,104 million (2021: ₹ 336 million)]		
Stock-in-trade	1,510	1,338
[including goods in transit ₹ 816 million (2021: ₹ 535 million)]		
Packing materials	2,262	1,853
[including materials in transit ₹ 47 million (2021: ₹ 46 million)]		
Stores and spares	161	123
Total inventories	**21,567**	**20,519**

Notes:

(a) Work-in-progress (intermediates) includes stocks of maturing spirits held by a branch outside India (in custody of an overseas vendor) amounting to Nil (2021: ₹ 284 million).

(b) Amounts recognised in the Statement of profit and loss :
Allowance for obsolete inventories (net) amounting to ₹ 162 million (2021: ₹ 766 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.

(c) Inventories include inventory held by the tie up manufacturing units amounting to ₹ 2,183 million (2021: ₹ 2,655 million).

(d) For details of Inventories pledged as security Refer Note 34.

11. Trade receivables

	As at March 31, 2022	As at March 31, 2021
From Contracts with customers - related parties [Refer Note 36(c)(ii)]	59	96
From Contracts with customers	24,865	23,269
	24,924	23,365
Less: Loss allowance	(1,188)	(1,493)
Total trade receivables	**23,736**	**21,872**
Details of securities/ categorisation of credit risk of trade receivables		
Trade Receivables considered good- secured	-	-
Trade Receivables considered good- unsecured	24,924	23,365
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables- credit impaired	-	-
Total	**24,924**	**23,365**
Less: Loss allowance	(1,188)	(1,493)
Total trade receivables	**23,736**	**21,872**

Notes:

(a) Includes unbilled receivables of ₹ 596 Million (2021: ₹ 244 Million)

(b) Refer Note 32 for information about financial risk management

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Particulars	As at March 31, 2022	As at March 31, 2021
Unsecured, Undisputed		
Unbilled dues	596	244
Not due	21,600	20,071
Less than 6 months	1,985	1,436
6 months -1 year	89	204
1-2 Years	185	361
2-3 years	98	259
More than 3 years	230	646
sub-total	**24,783**	**23,221**
Unsecured, Disputed		
Unbilled dues	-	-
Not due	-	2
Less than 6 months	1	2
6 months -1 year	2	0
1-2 Years	18	23
2-3 years	19	37
More than 3 years	101	79
sub-total	**141**	**144**
Less: Provision for expected credit loss	(1,188)	(1,493)
Total	**23,736**	**21,872**

12. Cash and cash equivalents

	As at March 31, 2022	As at March 31, 2021
Balances with banks		
In current accounts	483	667
Cheques on hand	62	111
Total cash and cash equivalents	**545**	**778**

13 Bank balances other than cash and cash equivalents

	As at March 31, 2022	As at March 31, 2021
In unpaid dividend accounts	1	1
In unpaid public deposit accounts [Refer Note (a) below]	3	7
Bank deposits due to mature within 12 months from the reporting date [Refer Note (b) below]	54	53
Total bank balances other than cash and cash equivalents	**58**	**61**

Notes:

a) Includes ₹ 1 million (2021: ₹ 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) Represents Bank deposits under lien in respect of bank gurantees provided to tax authorities.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

14. Equity share capital

	As at March 31, 2022	As at March 31, 2021
Authorised		
2,740,000,000 equity shares of ₹ 2/- each (2021: 2,740,000,000 equity shares of ₹ 2/- each)	5,480	5,480
171,200,000 preference shares of ₹ 10/- each (2020: 171,200,000 preference shares of ₹ 10/- each)	1,712	1,712
	7,192	**7,192**
Issued, subscribed and paid-up		
726,638,715 Equity Shares of ₹ 2/- each (2021: 726,638,715 Equity Shares of ₹ 2/- each) fully paid up	1,453	1,453
	1,453	**1,453**

(a) Reconciliation of the number of shares outstanding

	No. of Shares	As at March 31, 2022	No. of Shares	As at March 31, 2021
Balance at the beginning of the year [Face value of ₹ 2/- each (2021: ₹ 2/- each)]	726,638,715	1,453	726,638,715	1,453
Add: Equity shares issued during the year	-	-	-	-
Balance at the end of the year (Face value of ₹ 2/- each)	**726,638,715**	**1,453**	**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, 2022	No. of Shares	As at March 31, 2021
Diageo Relay B V (Formerly known as 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) The Company has not issued any shares for consideration other than cash during the period of five years immediately preceding the reporting date.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(e) Details of shareholders holding more than 5% shares in the Company.

	As at March 31, 2022		As at March 31, 2021	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Diageo Relay B V (Formerly known as Relay B V) [Refer note (i) below]	**406,447,245**	**55.94%**	**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 Company, subsidiaries or associates

	As at March 31, 2022		As at March 31, 2021	
	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 in the Company to Diageo Relay B V (Formerly known as 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 (Formerly known as Relay B V). Such shares are included in arriving at Diageo Relay BV's (Formerly known as Relay B V) 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 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. 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 40 (d).

(k) Disclosure of Shareholding of Promoters

	As at March 31, 2022		As at March 31, 2021		% Change during the year
	No. of Shares	% of total shares	No. of Shares	% of total shares	
Diageo Relay B V (Formerly known as Relay B V)	406,447,245	55.94%	406,447,245	55.94%	-
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%	-
Rossi and Associates Private Limited	-	-	175,560	0.02%	-0.02%
Total	**412,235,040**	**56.74%**	**412,410,600**	**56.76%**	**-0.02%**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

15. Reserves and surplus

	As at March 31, 2022	As at March 31, 2021
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	(2)	69
Foreign currency translation reserve	205	205
Contingency reserve	110	110
General reserve	10,408	10,408
Retained earnings	(13,544)	(21,954)
Total reserves and surplus	**48,084**	**39,745**

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 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 towards such arrangements 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.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

16. Borrowings

	Maturity date	Terms of repayment	Coupon/ interest rate	As at March 31, 2022	As at March 31, 2021
Non-current					
Unsecured					
Deferred sales tax [Refer Note (b) below]	April 21, 2025	Principal loan will be paid on April 21, 2025	12% p.a.	25	45
				25	**45**
Less: Current maturities of Deferred Sales Tax Liabilitiy				16	23
Total non-current borrowings				**9**	**22**
Current					
Unsecured					
Working capital loans from banks [Refer Note (a) below]	Payable on demand	Payable on demand	6.8% (2021: 6.8% to 8% p.a)	992	8,749
Short-term loan from bank	Payable on demand	Payable on demand	6.8% (2021: 6.8% to 8% p.a)	2,400	-
Total				**3,392**	**8,749**
Less: Interest accrued but not due				-	4
Add: Current maturities of Deferred Sales Tax Liabilitiy				16	23
Total current borrowings				**3,408**	**8,768**

Notes:

a) Includes interest accrued but not due as at year end.

b) Sales tax collected under deferral scheme of State Government of Maharashtra for eleven years (from 1999-00 to 2009-10) and is repayable in five equal annual installments with final installment due in 2024-25.

c) **Net debt reconciliation**

(i) **Net debt summary:**

Particulars	Note	As at March 31, 2022	As at March 31, 2021
Non-current borrowings	16	9	22
Current borrowings	16	3,408	8,768
Other current liabilities			
Interest accrued but not due	16	-	4
Lease liabilities	3.2	2,637	1,578
Total debt		6,053	10,372
Less: Cash and cash equivalents	12	545	778
Net Debt		**5,508**	**9,594**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(ii) **Movements in net debt:**

Particulars	Lease liabilities	Non-convertible debentures	Term loan	Deferred sales tax	Working capital loans	(Less) Cash and cash equivalents	Net Debt
Net debt as at April 1, 2020	**1,965**	**7,641**	**232**	**71**	**16,076**	**(661)**	**25,324**
Acquisition - leases (net)*	439	-	-	-	-	-	439
Net proceeds from / (Repayment of) borrowings	-	(7,500)	-	(31)	(7,315)	-	(14,846)
Interest expense (Refer Note 28)	156	413	-	5	699	-	1,273
Interest paid	(156)	(554)	-	-	(711)	-	(1,421)
Principal lease payments	(826)	-	-	-	-	-	(826)
Adjustment on Sale of a Subsidiary	-	-	(232)	-	-	-	(232)
Cash Flows	-	-	-	-	-	(117)	(117)
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 / (repayment) of working capital loans	-	-	-	-	(5,358)	-	(5,358)
Interest expense (Refer Note 28)	119	-	-	5	379	-	503
Interest paid	(119)	-	-	(4)	(379)	-	(502)
Principal lease payments	(1,002)	-	-	-	-	-	(1,002)
Effect of foreign exchange restatement	-	-	-	-	-	-	-
Cash Flows	-	-	-	-	-	233	233
Net debt as at March 31, 2022	**2,637**	**-**	**-**	**25**	**3,391**	**(545)**	**5,508**

* Excludes advance lease payment amouting to ₹ Nil (2021: ₹ 148 million)

17. Other financial liabilities

	As at March 31, 2022	As at March 31, 2021
Interest accrued but not due (Refer Note 16)	-	4
Unpaid / unclaimed dividends (Refer Note (a) below)	1	1
Unpaid / unclaimed public deposits (Including accrued interest) (Refer Notes (a) and (b) below)	3	7
Others		
Security deposits	1	-
Liability for customer claim	-	127
Due to Tie-up manufacturing units	354	431
Capital creditors	237	285
Employee benefits payables	949	885
Others	278	235
Total other financial liabilities	**1,823**	**1,975**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Notes:

(a) As at March 31, 2022 no balances were due to be transferred to IEPF (2021:Nil).

(b) Includes unclaimed public deposit which had matured in earlier years of ₹ 1 million (2021: ₹ 1 million) for which the duly discharged fixed deposit receipts have not been received from the deposit holders.

18. Provisions

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Employee benefits				
Provident Fund Obligation	79	-	367	-
Compensated absences	447	-	487	-
Gratuity [Refer Note 39(b)C]	3	18	-	21
Pension liability [Refer Note 39(b) C]	1	9	1	11
Share appreciation rights [Refer Note 35]	90	122	56	64
Provision for indirect tax and other legal matters [Refer Note (a) below]	4,007	-	4,382	-
Other provisions	5	-	-	-
Commitment towards "Raising the Bar" programme [Refer Note (b) below and Note 41(a)]	248	-	445	-
Total provisions	**4,880**	**149**	**5,738**	**96**

Notes:

(a) Movement in provisions

Description	As at April 1, 2020	Additions	Amounts used/ written back	As at March 31, 2021
Indirect taxes disputes and other legal matters	3,538	847	3	4,382

Description	As at April 1, 2021	Additions	Amounts used/ written back	As at March 31, 2022
Indirect taxes disputes and other legal matters	4,382	(374)	1	4,007

Provision is made for probable cash outflow arising out of pending disputes / litigations with various regulatory authorities. 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

(b) Movement in Commitment towards "Raising the Bar" programme

Description	As at April 1, 2020	Additions	Amount spent	As at March 31, 2021
Commitment towards "Raising the Bar" programme	-	750	305	445

Description	As at April 1, 2021	Additions	Amount spent	As at March 31, 2022
Commitment towards "Raising the Bar" programme	445	-	197	248

Refer Note 41(a) for Commitment towards "Raising the Bar" programme.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

19. Trade payables

	As at March 31, 2022	As at March 31, 2021
Dues to Micro and Small enterprises	793	662
Dues to creditors other than Micro and Small enterprises		
Dues to related parties [Refer Note 37(c)(iii)]	2,940	2,407
Others	12,088	11,103
	15,028	**13,510**
Total trade payables	**15,821**	**14,172**

Trade Payables ageing schedule is set-out below:

		As at March 31, 2022	As at March 31, 2021
(i)	**Undisputed dues - Micro and small enterprieses**		
	Unbilled	1	-
	Not due	592	398
	Less than 1 year	178	187
	1-2 years	12	45
	2-3 years	3	23
	> 3 years	7	9
	sub-total	**793**	**662**
(ii)	**Undisputed dues - Others**		
	Unbilled	4,041	-
	Not due	5,794	7,755
	Less than 1 year	4,708	4,740
	1-2 years	393	585
	2-3 years	24	80
	> 3 years	68	350
	sub-total	**15,028**	**13,510**
Total		**15,821**	**14,172**

20. Other current liabilities

	As at March 31, 2022		As at March 31, 2021	
	Current	Non-current	Current	Non-current
Contract liabilities (Advances from customers)	422	-	618	100
Statutory dues	2,898	-	3,238	-
Liability for taxes on closing inventory (net of prepaid taxes)	5,069	-	4,989	-
Others	1	-	1	-
Total other current liabilities	**8,390**	**-**	**8,846**	**100**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

21. Revenue from operations

	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue from contracts with customers:		
Sale of products (including excise duty)	306,257	270,794
Income from brand franchise arrangements	893	761
Income from BCCI-IPL franchise [Refer Notes (a) and (b) below]	2,891	2,296
	310,041	**273,851**
Other operating revenue:		
Sales of scrap and by-products	445	282
Miscellaneous	132	52
	577	**334**
Total revenue from operations	**310,618**	**274,185**

Notes:

(a An aggregate amount of ₹ 1,448 miilion (2021: ₹ 3,379) 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, 2022 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.

(c) Reconciliation between contract price and revenue recognised

	For the year ended March 31, 2022	For the year ended March 31, 2021
Contract price	322,462	283,698
Less: items offset against revenue from customers as required by Ind AS 115	(12,421)	(9,847)
Revenue from contracts with customers	**310,041**	**273,851**

(d) Dissaggregation of revenue from customers:

		For the year ended March 31, 2022	For the year ended March 31, 2021
(i)	**Categories of sale of products**		
	Prestige and above	68,050	55,040
	Popular	24,580	22,720
	Others	1,026	923
	Add: Excise duty collected from customers	213,494	192,872
		307,150	**271,555**
(ii)	**Category of services - Income from from BCCI-IPL franchise**		
	Central rights income	1,987	1,674
	Income from sponsorship	803	535
	Play Off Fee	44	44
	Royalty & licensing fee	57	43
		2,891	**2,296**
Total		**310,041**	**273,851**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

22. Other income

	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest income on financial assets held at amortised cost	61	111
Exchange gain (net)	4	8
Gain on disposal of property, plant and equipment (net)	123	168
Profit on sale of investment property	6	-
Liabilities no longer required written back	134	86
Miscellaneous income	27	23
Total other income	**355**	**396**

23. Cost of materials consumed

	For the year ended March 31, 2022	For the year ended March 31, 2021
Raw materials	29,423	24,635
Packing materials	18,546	15,096
Total cost of materials consumed	**47,969**	**39,731**

24. Changes in inventories of finished goods, work-in-progress and stock-in-trade

	For the year ended March 31, 2022	For the year ended March 31, 2021
Opening inventory:		
Finished goods	7,255	7,757
Work-in-progress	6,289	6,191
Stock-in-trade	1,338	1,332
Total opening balance (A)	**14,882**	**15,280**
Closing inventory:		
Finished goods	8,233	7,255
Work-in-progress	5,995	6,289
Stock-in-trade	1,510	1,338
Total closing balance (B)	**15,738**	**14,882**
Increase / (decrease) in excise duty on finished goods (net) (C)	29	933
Total changes in inventories of finished goods, work-in-progress and stock-in-trade (A-B+C)	**(827)**	**1,331**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

25. Employee benefits expense

	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries, wages and bonus	5,580	4,772
Contribution to provident and other funds [Refer Note 39(a)]	114	131
Defined benefit plans [Refer Note 39(b)D]	231	229
Share based payment expense (Refer Note 35)	255	66
Staff welfare expenses	351	366
Total Employee benefits expense	**6,531**	**5,564**

26. Depreciation, amortisation and impairment expense

	For the year ended March 31, 2022	For the year ended March 31, 2021
Depreciation / impairment of property, plant and equipment (Refer Note 3.1)	1,733	1,824
Depreciation of right-of-use assets (Refer Note 3.2)	1,099	899
Amortisation / impairment of intangible assets (Refer Note 3.4)	206	268
Total depreciation, amortisation and impairment expense	**3,038**	**2,991**

27. Other expenses

	For the year ended March 31, 2022	For the year ended March 31, 2021
Consumption of stores and spares	148	97
Operational expenses relating to BCCI-IPL franchise	1,687	1,261
Sub-contracting Charges	1,091	1,120
Power and fuel	182	200
Rent [Refer Note 3.2]	2,516	2,288
Repairs and maintenance:		
Buildings	31	37
Plant and machinery	461	499
Others	294	305
Insurance	181	181
Rates and taxes #	458	1,559
Travel and conveyance	271	220
Legal and professional	1,236	1,131
Auditor remuneration (Refer Note below)	57	52
Freight outwards	2,764	2,249
Royalty [Refer Note 37(b)(viii)]	55	59
Trade mark license fees	432	575

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

		For the year ended March 31, 2022	For the year ended March 31, 2021
Remuneration to non-executive directors of the Company:			
Sitting fee		8	6
Commission		24	24
Allowance for doubtful other assets (net)		158	61
Expense towards corporate social responsibility		87	95
Information technology and communication expenses		884	1,043
Administrative expenses		3	97
Sales distribution charges		1,270	1,032
Miscellaneous expenses		479	218
Total Other expenses		**14,777**	**14,409**
Note:			
Auditors' remuneration*			
a)	**as auditors**		
	for Statutory audit	25	19
	for Quarterly reviews	10	10
	for Certifications	3	3
b)	**for other audit related services**	19	20
c)	**Out-of-pocket expenses**	0	-
Total payment to auditors		**57**	**52**
* Relates to the parent auditor and does not include remuneration for other component auditors (excluding goods and services tax)			
(b)	Operational expenses relating to BCCI-IPL franchise includes:		
	Players and support staff fees	1,181	954
	Per diem allowances to players and support staff	43	37
	Stadium rent	3	9
	Insurance	27	19
	Travel expenses	77	35
	Hotel expenses	96	57
	Event management costs	124	63
	Commission on sponsorship income	135	87
	Man of the match award (net)	1	-
Total operational expenses relating to BCCI-IPL franchise includes		**1,687**	**1,261**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

28. Finance costs

	For the year ended March 31, 2022	For the year ended March 31, 2021
Interest charges on lease liabilities	119	156
Interest expense on borrowings at amortised cost	381	1,117
Interest- others	380	603
Total finance costs	**880**	**1,876**

29. Exceptional items (net)

		Note	For the year ended March 31, 2022	For the year ended March 31, 2021
(a)	Gain on disposal of Investment in subsidiaries		-	333
(b)	Commitment towards "Raising the Bar" programme	41(a)	-	(750)
(c)	Impairment in the value of investment in an associate	4.1	-	(206)
(d)	Fair value loss on financial assets mandatorily measured at fair value through profit or loss	4.2	-	(20)
(e)	Provision for impairment of property, plant and equipment	41(d)	(340)	-
(f)	Claim from customer	40(g)	(353)	-
(g)	COVID public health infrastructure commitment	50	(100)	-
(h)	Gain on disposal of Investment in associate	41(c)	5	-
(i)	Pre-paid brand fee charged to expense	41(b)	(864)	-
Total exceptional items (net)			**(1,652)**	**(643)**

30. Reconciliation of tax expense and accounting profit multiplied by domestic tax rate in the country concerned

	For the year ended March 31, 2022	For the year ended March 31, 2021
Profits before income tax expense	10,866	5,400
Tax calculated at the domestic rates applicable in the country concerned	2,090	2,555
Tax effects of amounts which are not deductible / (taxable) in calculating taxable income:		
- Additional Provision/(reversal) for disputed taxes of earlier years	(247)	(3)
- Commitment towards "Raising the bar" Programme	-	189
- Unrecognised deferred tax assets on tax losses for the current year relating to certain subsidiaries	814	-
- Income not subject to tax due to unrecognised accumulated losses	(19)	(997)
- Reversal of provisions/ write offs (net) which were not claimed as allowable expenses in earlier years	(19)	(76)
- Others	141	111
Income tax expense as per Statement of Profit and Loss	**2,760**	**1,779**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

(a) **Tax losses**

	March 31, 2022	March 31, 2021
Unused tax losses for which no deferred tax asset has been recognised (Refer Note below)	10,414	9,607
Potential tax benefit at rates applicable in the country concerned	2,547	2,324

Note:

The Unused tax losses are in respect of subsidiaries that are not likely to generate taxable income in the foreseeable future.

31. Earnings per share

	March 31, 2022	March 31, 2021
Nominal value of equity shares (in ₹)	2/-	2/-
(a) Profits attributed to equity holders of the Company	8,286	3,836
(b Weighted average number of equity shares used as denominator	709,343,265	709,343,265
(c) Basic and diluted earnings per share (in ₹)	11.68	5.41

Note:

(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 reduced the treasury shares held by USL Benefit Trust (of which Company is the sole beneficiary).[Refer Note 14(h)]

Note 32: Financial risk management

The Group'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 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	Review of receivables	Diversification of bank deposits, and monitoring of credit limits and assessment of recoverability of loans.
Liquidity risk	Borrowings and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – interest rate	Short-term borrowings at floating rates	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, use of derivative financial instruments and non-derivative financial instruments, 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.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Receivables from government corporations/ government owned entities amounted to ₹ 14,342 million; 58% (2021: ₹ 14,441 million; 62%) and private customers amounted to ₹ 10,582 million; 42% (2021: ₹ 8,924 million; 38%) respectively of total trade receivables, respectively, 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, 2022	March 31, 2021
Balance at the beginning of the year	1,493	2,022
Loss allowance (Net)	(155)	311
Write offs	(150)	(840)
Balance at the end of the year (Refer Note 11)	**1,188**	**1,493**

Loans and other financial assets:

Other financial assets' includes balances with banks, receivable from Tie-up manufacturing units, 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, 2022	March 31, 2021
Balance at the beginning of the year	13,785	13,894
Included in the Statement of Profit and Loss	26	199
Write offs	(219)	(308)
Balance at the end of the year (Refer Note 5 and 6)	**13,592**	**13,785**

(B) Liquidity Risk

Changes in regulations, guidelines and operating models influences liquidity risk. The Group generates enough cashflow from the current operation that provides liquidity both in the short-term as well as in the long-term. The Group has prudent liquidity risk management to ensure maintenance of required cash and / or have access to funds through adequate unutilised sanctioned borrowing limits from banks. The Group maintains an optimal debt mix with the different categories of borrowings to meet both short term and long-term funding requirements. Besides, the Group has planned monetisation of certain non-core assets to infuse liquidity and reduce debts and remains committed to maintaining a healthy liquidity, a low debt to equity ratio, deleverage and strengthen its balance sheet.

Financing arrangements

The Group's has access to the following undrawn unsecured borrowing facilities as at end of the reporting period:

Particulars	As at March 31, 2022	As at March 31, 2021
Floating rate Cash credit/ working capital loans	27,850	23 ,651

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 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, 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	-	-	9	-	-	3,416
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	24,090

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	8,768	-	-	22	-	-	8,790
Lease liabilities	217	155	300	682	313	56	1,723
Trade payables	14,172	-	-	-	-	-	14,172
Other financial liabilities	1,975	-	-	-	-	-	1,975
Total liabilities	**25,132**	**155**	**300**	**704**	**313**	**56**	**26,660**

(C) Interest rate risk

The Group is exposed to interest rate risk on its loans from banks. Majority of the Group's short-term borrowings are benchmarked to Bank's MCLR (Marginal Cost of Lending Rates) and Money Market Rates. Interest rate risk arises due to uncertainties about the future market interest rate on these borrowings. The Group maintains an optimal debt mix and tenure to minimise the impact of interest rate risk.

The exposure of the Group's borrowings to interest rate changes at the end of reporting period are as follows:

	As at March 31, 2022	**As at March 31, 2021**
Floating rate borrowings	3,391	8,745
Total borrowings	**3,391**	**8,745**

Note: Reasonable possible changes in interest rate is not expected to have a significant impact on the Group's profit/ loss.

(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 receivable and payable 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.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

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:

Financial assets	As at March 31, 2022					
	USD	GBP	EURO	SGD	AUD	Total
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	**157**	**(180)**	**9**	**(23)**	**(1)**	**(38)**

Financial assets	As at March 31, 2021					
	USD	GBP	EURO	SGD	AUD	Total
Cash and cash equivalents	0	0	0	-	-	0
Other financial assets	17	11	4	0	-	32
Trade receivables	144	0	-	-	-	144
Exposure to foreign currency risk (assets)	**161**	**11**	**4**	**0**	**-**	**176**
Financial liabilities						
Trade payables	11	159	12	17	1	200
Contract liabilities (Advances from customers)	12	-	-	-	-	12
Exposure to foreign currency risk (liabilities)	**23**	**159**	**12**	**17**	**1**	**212**
Net exposure	**138**	**(148)**	**(8)**	**(17)**	**(1)**	**(36)**

Notes: 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 optimum debt mix:

- 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)

Particulars		As at March 31, 2022	As at March 31, 2021
Total Debt	(a)	6,054	10,372
Cash and cash equivalents	(b)	545	778
Net debt	(c) = (a) - (b)	5,509	9,594
Total equity	(d)	48,748	40,589
Net debt to equity ratio	**(c) / (d)**	**0.11**	**0.24**

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, 2022, no assets have been shown as hypothecated/ mortgaged as at March 31, 2022.

(b) Further the following assets have been pledged with a bank with whom the Group is involved in a litigation

Particulars	Notes	As at March 31, 2022	As at March 31, 2021
First charge			
Freehold land	3.1	1,177	1,177
Buildings	3.1	147	163
Leasehold land	3.2	37	37
Plant and equipment	3.1	3	5
Investments as a sole beneficiary in USL Benefit Trust	14	1,197	1,197
Total assets pledged as security		**2,561**	**2,579**

(c) Assets pledged, as disclosed under this note does not include inventory aggregating to ₹ 121 million (2021: ₹ 122 million) in custody of a third party tie-up manufacturing unit (TMU), which have been hypothecated by the said TMU 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 ₹ 55 million (March 31, 2021: net credit of ₹ 23 million) (Refer Note 25), with a corresponding credit to share based incentive reserve in other equity. Disclosures are provided to the extent of information available with the Group.

Share Appreciation Rights (SAR)

The India SAR Plan creates an opportunity to link the employees' reward to the 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 Company's share will be made at the end of three years from the date of grant (the vesting period).

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

The fair value of the SARs is determined using the Black-Scholes model using the following inputs as at each reporting date:

	As at March 31, 2022	As at March 31, 2021
Share price as at balance sheet date (remeasurement date (₹ per share)	888.40	556.35
Expected volatility (%)	33.71% -36.16%	33.72% -36.16%
Dividend yield (%)	-	-
Risk-free interest rate (%)	5.66%	5.18%

As at March 31, 2022 such outstanding SARs are 606,072 (March 31, 2021: 496,460). Refer below for summary of movement in provision for SAR:

Particulars	Note	Amount
Provision as at April 1, 2020		**121**
Charge for the year	24	89
Payout during the year	24	(90)
Provision as at March 31, 2021	**17**	**120**
Charge for the year	24	200
sPayout during the year	24	(108)
Provision as at March 31, 2022	**17**	**212**

Provision as at the year-end classified as:

Particulars	As at March 31, 2022	As at March 31, 2021
Current	90	56
Non-current	122	64
Total	**212**	**120**

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 Bangalore Franchise of Board of Control for Cricket in India – Indian Premier League (BCCI-IPL). 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 (2021: one external customer) individually contributing to more than ten percent or more of the Group's revenues amounting to ₹ 119,228 million (2021: ₹ 106,874 million).

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, 2022			March 31, 2021		
	India	Outside India	Total	India	Outside India	Total
Revenue from contracts with customers	308,398	1,643	310,041	272,607	1,244	273,851
Non-current assets	37,479	-	37,479	37,340	-	37,340

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 37: Related party disclosures

(a) Names of related parties and description of relationship

(i) Parent entities

- Diageo Plc. (Ultimate Holding company)
- Tanqueray Gordon & Company Ltd. (Holding Company of Relay B V)
- Diageo Relay B V (Holding company) (Formerly known as Relay B V)

(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 Ltd
- Diageo Business Services India Private Limited
- UDV Kenya Ltd
- Diageo Singapore Pte
- Diageo India Private Limited
- Diageo Indonesia (PT Langgeng Kreasi Jayaprima)
- Diageo Mexico

(iii) Associates

- Hip Bar Private Limited (Till August 03, 2021)

(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

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

- UB Group Employee Benefit Trust
- Pioneer Distilleries Employees' Gratuity Trust

(v) **Key management personnel**

- Anand Kripalu (Managing Director & Chief Executive Officer) up to June 30, 2021
- Hina Nagarajan (Managing Director & Chief Executive Officer) w.e.f. July 1, 2021
- Sanjeev Churiwala (Executive Director & Chief Financial Officer) up to September 30, 2020

(vi) **Non-executive/ Independent directors**

- Mahendra Kumar Sharma – Chairman
- V K Viswanathan
- Dr. Indu Shahani
- D Sivanandhan
- Rajeev Gupta
- John Thomas Kennedy
- Randall Ingber
- Vinod Rao (till December 15, 2021)
- Mark Sandys (w.e.f. April 1, 2022)

Note 37(b): Summary of the transactions with related parties

Name of the related party	Relationship	For the year ended March 31, 2022	For the year ended March 31, 2021
(i) Investment in compulsory convertible preference shares			
Hip Bar Private Limited	Associate	-	20
Total- Investment in compulsory convertible preference shares			**20**
(ii) Sale of products (including excise duty) to			
Guinness Nigeria Plc.	Fellow subsidiary	9	12
Diageo Brands BV	Fellow subsidiary	12	47
UDV Kenya Ltd	Fellow subsidiary	2	-
Total- Sale of products		**23**	**59**
(iii) Royalty and brand franchise income			
Guinness Nigeria Plc.	Fellow subsidiary	11	3
Total- Royalty and brand franchise income		**11**	**3**
(vi) Sale of Casks (Property, Plant and Equipment)			
Diageo Scotland Limited	Fellow subsidiary	154	-
Total- Sale of Casks		**154**	**-**

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, 2022	For the year ended March 31, 2021
(v) Reimbursement of expenses from			
Diageo Plc.	Parent	70	19
Diageo India Private Limited	Fellow subsidiary	1	2
Diageo Great Britain Limited	Fellow subsidiary	33	160
Diageo Brands BV	Fellow subsidiary	8	9
Diageo North America Inc.	Fellow subsidiary	-	8
Diageo Singapore Pte	Fellow subsidiary	-	3
Diageo Scotland Limited	Fellow subsidiary	13	152
Diageo Mexico	Fellow subsidiary	-	1
Diageo Business Services India Private Limited	Fellow subsidiary	2	-
Diageo Indonesia (PT Langgeng Kreasi Jayaprima)	Fellow subsidiary	13	7
Total- Reimbursement of expenses received		**140**	**361**
(vi) Purchase of stock-in-trade from			
Diageo Brands BV	Fellow subsidiary	3,790	2,409
Diageo Ireland Ltd	Fellow subsidiary	8	-
Diageo Singapore Supply Pte Limited	Fellow subsidiary	1	5
Total- Purchase of stock-in-trade		**3,799**	**2,414**
(vii) Purchase of raw materials from			
Diageo Brands BV	Fellow Subsidiary	2,138	1,780
Total- Purchase of materials		**2,138**	**1,780**
(viii) Royalty expense			
Diageo North America Inc.	Fellow subsidiary	55	59
Total- Royalty expense (Refer Note 27)		**55**	**59**
(ix) Professional charges			
Diageo Business Services India Private Limited	Fellow Subsidiary	157	172
Total- Professional charges		**157**	**172**
(x) Cross Charge – towards share based payments			
Diageo Great Britain Limited	Fellow subsidiary	124	59
Total- Cross charge		**124**	**59**
(xi) Other services received Information technology expenses			
Diageo Great Britain Limited	Fellow subsidiary	221	159
Diageo North America Inc	Fellow subsidiary	-	4
Diageo Business Services India Private Limited	Fellow subsidiary	6	24
Total- Other services received		**227**	**187**
(xii) Reimbursement of expenses paid to			
Diageo Great Britain Limited	Fellow subsidiary	7	43
Diageo Scotland Limited	Fellow subsidiary	11	82
Diageo Brands BV	Fellow subsidiary	-	4

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, 2022	For the year ended March 31, 2021
Diageo Ireland Ltd.	Fellow subsidiary	-	1
Diageo Business Services India Private Limited	Fellow subsidiary	6	9
Diageo Australia Limited	Fellow subsidiary	-	1
Diageo North America Inc	Fellow subsidiary	20	-
Diageo Plc.	Parent	2	1
Total- reimbursement of expenses paid		**46**	**141**
(xiii) Contribution to employee benefit plans			
McDowell & Company Limited Employees Provident Fund	Employee benefits plan	141	136
United Spirits Superannuation Fund	Employee benefits plan	26	39
Total- Contribution to employee benefit plans		**167**	**175**

Note 37(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, 2022	As at March 31, 2021
(i) Financial Assets receivable			
Diageo Scotland Limited	Fellow subsidiary	1	-
Diageo India Private Limited	Fellow subsidiary	0	-
Diageo Brands BV	Fellow subsidiary	8	9
Diageo Business Services India Private Limited	Fellow subsidiary	2	-
Diageo Great Britain Limited	Fellow subsidiary	-	7
Diageo Plc	Parent	4	-
Diageo Indonesia (PT Langgeng Kresai Jayaprima)	Fellow subsidiary	12	7
Total- Financial assets receivables (Refer Note 6)		**27**	**23**
(ii) Trade receivables from			
UDV Kenya Ltd	Fellow subsidiary	2	-
Guinness Nigeria Plc.	Fellow subsidiary	57	49
Diageo Brands BV	Fellow subsidiary	-	47
Total- Trade receivables (Refer Note 11)		**59**	**96**
(iii) Trade payables to			
Diageo Plc.	Parent	10	1
Diageo Brands BV	Fellow subsidiary	2,665	2,176
Diageo Great Britain Limited	Fellow subsidiary	135	74
Diageo North America Inc.	Fellow subsidiary	93	34
Diageo Ireland Ltd	Fellow subsidiary	4	1
Diageo Australia	Fellow subsidiary	0	1
Diageo Scotland Limited	Fellow subsidiary	12	62

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Name of the related party	Relationship	As at March 31, 2022	As at March 31, 2021
Diageo Singapore Supply Pte Limited	Fellow subsidiary	2	5
Diageo Business Services India Private Limited	Fellow subsidiary	19	53
Total trade payables to related parties (Refer Note 19)		**2,940**	**2,407**
(iv) Minimum offtake commitment for purchase of bulk scotch			
Diageo Scotland Limited	Fellow subsidiary	4,862	536

Note 37(d): Key management personnel compensation

Executive directors	For the year ended March 31, 2022		For the year ended March 31, 2021	
	Hina Nagarajan	Anand Kripalu	Anand Kripalu	Sanjeev Churiwala
Remuneration (*)	66	146#	102	26
Employee share-based payments(**)	3	143	35	2
Total compensation	**69**	**289**	**137**	**28**

(*) 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 Mr. Anand Kripalu, 'taxable gratuity' is also included in remuneration.

Non-executive/ Independent directors	For the year ended March 31, 2022		For the year ended March 31, 2021	
	Sitting Fee	Commission	Sitting Fee	Commission
Mahendra Kumar Sharma	1.0	4.7	1.0	4.7
V K Viswanathan	1.3	3.9	1.2	3.9
Dr. Indu Shahani	1.4	4.0	1.3	4.0
D Sivanandhan	1.4	3.9	1.3	3.9
Rajeev Gupta	1.1	3.5	1.0	3.5
Total	**6.2**	**20.0**	**5.8**	**20.0**

Note: The above amounts are reported in millions, and the decimals are rounded off to the nearest lakhs.

Note 37(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 38: Offsetting financial assets and financial liabilities

Until the previous year end, the Group presented receivables from Tie-up manufacturing units after offsetting liabilities towards bottling fees. The Group was not obligated to pay the bottling fees and net amount recoverable (after offsetting the bottling fees) was paid by the Tie-up manufacturing units. However, during the current year, the Group has been separately settling the bottling fees and recovering the gross amounts recoverable from Tie-up manufacturing units. Accordingly, the bottling fees payable has not been offset against receivables from Tie-up manufacturing units as at March 31, 2022.

Particulars	As at March 31, 2022	As at March 31, 2021
Receivable from Tie-up manufacturing units (gross)	*	2,945
Less: Bottling charges payable	*	(127)
Receivable from Tie-up manufacturing units as reported (Refer Note 6)	*	2,818

*Not applicable

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

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, 2022	As at March 31, 2021
Trade receivables (gross)	25,366	23,724
Less: Volume based incentives and rebates payable	(442)	(359)
Trade receivables as reported (Refer Note 11)	24,924	23,365

Note 39(a): Defined contribution plans

Provident Fund:

Provident Fund covers substantially all permanent workmen. Both the eligible employees and the Group 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 Group 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 Group administered Provident Fund Plan is made to the government administered Employee Pension Scheme, as per regulations. The obligation of the Group 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 Group 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 Group is limited to the extent of contributions made on a monthly basis.

Superannuation fund:

Certain executive staff of the Group participate in United Spirits Superannuation fund (the 'Fund'), which is a voluntary contribution plan. The Group 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 Group participate in National Pension Scheme, which is a voluntary contribution plan. The Group 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 Group 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, 2022	For the year ended March 31, 2021
Provident Fund*	35	33
Employee's Pension Scheme	45	48
Superannuation Fund	1	39
Employees' State Insurance	26	3
National Pension Scheme	7	8
Total (Refer Note 25)	**114**	**131**

* Excludes contributions to Provident Fund Trust which are in the nature of defined benefit plans managed by the Group.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Note 39 (b): Defined benefit plans

Gratuity:

The Group 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 Group. 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 Group.

Pension plan:

The Group operates an unfunded defined benefit pension plan for certain retired employees of an erstwhile entity which has merged into the Group 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:

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.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Gratuity and Provident Fund

A. **Reconciliation of opening and closing balances of the present value of the defined benefit obligation (DBO):**

	For the year ended March 31, 2022				For the year ended March 31, 2021			
	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	1,288	3,446	2	12	1,310	3,305	1	15
Current service cost	118	141	(0)	-	122	136	0	-
Interest Cost	79	273	0	1	81	276	0	1
Benefit payments from plan assets	(182)	(535)	-	-	(158)	(446)	-	-
Transfer in / (out)	-	105	-	-	-	14	-	-
Employee contributions	-	194	-	-	-	191	-	-
Benefit payments by the Group	(1)	-	(0)	(1)	(4)	-	(0)	(1)
Actuarial (gain) / loss from changes in demographic assumptions	(10)	-	0	-	3	-	0	-
Actuarial (gain) / loss from changes in financial assumptions	(31)	(47)	(0)	(0)	6	-	(0)	0
Actuarial (gain) / loss – experience adjustments	(52)	(102)	1	(1)	(72)	(30)	1	(3)
Obligation at the end of the year	**1,209**	**3,475**	**3**	**11**	**1,288**	**3,446**	**2**	**12**

B. **Reconciliation of opening and closing balances of the fair value of plan assets:**

	For the year ended March 31, 2022		For the year ended March 31, 2021	
	Gratuity	Provident fund	Gratuity	Provident fund
	(Funded)	(Funded)	(Funded)	(Funded)
Plan assets at the beginning of the year	1,638	3,079	1,682	2,938
Employee contributions	-	194	-	191
Transfer in/ (out)	-	105	-	14
Contribution by the group*	-	319	-	136
Return on plan assets	108	273	111	276
Actuarial gains/ (losses)	(37)	(39)	2	(30)
Benefits paid	(183)	(535)	(157)	(446)
Plan assets at the end of the year	**1,526**	**3,396**	**1,638**	**3,079**

*Including contribution towards shortfall in plan assets

Notes to the 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:

	For the year ended March 31, 2022				For the year ended March 31, 2021			
	Gratuity	Provident fund	Gratuity	Pension	Gratuity	Provident fund	Gratuity	Pension
	(Funded)	(Funded)	(Unfunded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)	(Unfunded)
Present value of obligation	1,209	3,475	3	11	1,288	3,446	2	12
Fair value of plan assets	1,526	3,396	-	-	1,638	3,079	-	-
Asset ceiling	-	0	-	-	-	-	-	-
Liability / (asset) recognised in Balance sheet (Refer Notes 9 and 18)	**(317)***	**79**	**3**	**11**	**(350)***	**367**	**2**	**12**
Current	-	79	3	1	-	367	-	1
Non-Current	(317)	-	0	10	(350)	-	2	11

* Comprises net Liability of ₹ 21 million (2021: ₹ 21 million) pertaining to subsidiaries and net asset of ₹ 335 million (2021: ₹ 369 million) pertaining to USL.

Liability/ (net assets) disclosed in the consolidated financial statements is as follows:

Description	Note	As at March 31, 2022			As at March 31, 2021		
		Gratuity	Provident fund	Pension	Gratuity	Provident fund	Pension
Non-current provision	18	18	10	-	21	11	-
Current provision	18	3	1	79	0	1	367
Non-current assets	9	(335)	-	-	(369)	-	-
Liability / (net asset) recognised in Balance sheet		**(314)**	**11**	**79**	**(348)**	**12**	**367**

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, 2022					For the year ended March 31, 2021				
	Gratuity	Provident fund	Gratuity	Pension	Total	Gratuity	Provident fund	Gratuity	Pension	Total
	(Funded)	(Funded)	(Unfunded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	(Unfunded)	
Current service cost	118	141	(1)	-	258	122	136	0	-	258
Net interest cost										-
a. Interest expense on DBO	79	273	0	1	353	81	276	0	1	358
b. Interest (income) on plan assets	(107)	(273)	-	-	(380)	(111)	(276)	-	-	(387)
Total net interest cost (a+b)	(28)	-	-	1	(27)	(30)	-	-	1	(29)
Defined benefit cost (Refer Note 24)	**90**	**141**	**(1)**	**1**	**231**	**92**	**136**	**0**	**1**	**229**

E. Re-measurement effects recognised in Other comprehensive income (OCI):

Description	For the year ended March 31, 2022					For the year ended March 31, 2021				
	Gratuity	Provident fund	Gratuity	Pension	Total	Gratuity	Provident fund	Gratuity	Pension	Total
	(Funded)	(Funded)	(Unfunded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	(Unfunded)	
a. Actuarial (gain)/ loss due to demographic assumptions changes in DBO	(10)	-	0	-	(10)	3	-	0	-	3
b. Actuarial (gain)/ loss due to financial assumptions changes in DBO	(29)	(47)	(0)	(0)	(76)	6	-	0	0	6
c. Actuarial (gain)/ loss due to experience on DBO	(51)	(102)	0	(1)	(154)	(72)	(30)	1	(3)	(104)
d. Return on plan assets (greater)/ less than discount rate	37	39	-	-	76	(2)	30	-	-	28
e. Movement in asset ceiling (gain)/ loss	-	-	-	-	-	-	-	-	-	-
Total actuarial (gain)/ loss included in OCI	**(53)**	**(110)**	**0**	**(1)**	**(164)**	**(65)**	**-**	**1**	**(3)**	**(67)**

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

F. Total cost recognised in Comprehensive Income:

Particulars	For the year ended March 31, 2022					For the year ended March 31, 2021				
	Gratuity	Provident fund	Gratuity	Pension	Total	Gratuity	Provident fund	Gratuity	Pension	Total
	(Funded)	(Funded)	(Unfunded)	(Unfunded)		(Funded)	(Funded)	(Unfunded)	(Unfunded)	
Expense recognised in Profit and Loss (Refer Note 25)	90	141	(1)	1	231	92	136	0	1	229
Remeasurements effects recognised in OCI	(54)	(110)	(0)	(0)	(164)	(65)	-	1	(3)	(67)
Total cost recognised in Comprehensive Income	**36**	**31**	**(1)**	**1**	**67**	**27**	**136**	**1**	**(2)**	**162**

G. Investment details of plan assets:

Description	As at March 31, 2022		As at March 31, 2021	
	Gratuity	Provident fund	Gratuity	Provident fund
Government securities	-	69%	-	68%
Private sector bonds	-	4%	-	9%
Public sector / financial institutional bonds	-	8%	-	6%
Special deposit scheme	-	3%	-	4%
Insurance products	100%	-	100%	-
Others (including bank balances)	0%	16%	0%	13%
Total	**100%**	**100%**	**100%**	**100%**

H. Assumptions:

	As at March 31, 2022				As at March 31, 2021			
	Gratuity	Provident fund	Gratuity	Pension	Gratuity	Provident fund	Gratuity	Pension
	(Funded)	(Funded)	(Unfunded)	(Unfunded)	(Funded)	(Funded)	(Unfunded)	(Unfunded)
Discount rate (per annum)	6.91%-6.96%	7.28%	6.87%	6.91%	6.44%-6.54%	6.81%-6.92%	6.58%	6.54%
Rate of increase in compensation levels	10%	10%	10%	NA	10%	10%	10%	NA
Attrition rate	5% - 11%	5%-11%	5% - 11%	NA	5%-11%	5%-11%	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* (2012-14) Ultimate table	IALM* (2012-14) Ultimate table

*IALM: Indian Assured Lives Mortality

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(All amounts in ₹ Millions unless otherwise stated)

Note 39(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, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Discount rate	1%	1%	(76)	(105)	84	121
Compensation levels	1%	1%	81	118	(74)	(104)

Provident Fund:

	Changes in assumptions		(Decrease)/ Increase in defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Discount rate	1%	1%	(60)	(104)	132	180
Compensation levels	1%	1%	125	167	(60)	(102)

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 39(d): Risk exposure:

Through its defined benefit plans, Group 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.

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(All amounts in ₹ Millions unless otherwise stated)

The Group 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 39(e): Effect of the defined benefit plan on the entity's future cash flows

The Group does not expect to contribute any amounts into the gratuity plan assets during the year ending March 31, 2023, considering the net surplus portion as at March 31, 2022. The Group is expected to contribute ₹ 155 million (2021: ₹ 149 million) to Provident fund during the year ending March 31, 2023.

The weighted average duration of the defined benefit obligation is 8.19 years (2021: 8.30 years). The expected maturity analysis of undiscounted provident fund and gratuity is as follows:

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**

March 31, 2021	Less than a year	Between 1-2 years	Between 2- 5 years	Over 5 years	Total
Gratuity	151	126	369	1,515	2,161
Provident fund	364	397	1,426	3,400	5,587
Total	**515**	**523**	**1,795**	**4,915**	**7,748**

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 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 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.

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(All amounts in ₹ Millions unless otherwise stated)

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 one overseas subsidiary, merged one overseas subsidiary into another and sold two subsidiaries, one of which was overseas and the other 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) 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) United Spirits (Shanghai) Trading Company Limited (viii) Asian Opportunities and Investments Limited and (ix) United Spirits Singapore Pte Ltd. 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, 2022. 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 Company had responded. As at the year ended March 31, 2022, 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.

(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 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 ₹ 9,898 million up to March 31,2022. The Company has offset payable to UBHL under a trademark agreement entered into with UBHL amounting to ₹ 74 million for the year ended March 31, 2022, and consequently, the corresponding provision for loan has been reversed to 'Loss allowance on trade receivables and other financial assets (net)'. The cumulative offset up to March 31,2022 amounted to ₹ 2,062 million.

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

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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. 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 and during the years ended March 31, 2021 and March 31, 2022, and subsequent to the year ended March 31, 2022, the Official Liquidator and the Company exchanged certain correspondence.

(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 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, 2022.

(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 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.

There have been no developments with respect to this matter during the year ended March 31, 2022.

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(All amounts in ₹ Millions unless otherwise stated)

(g) Developments in Relation to Past Claims from a Customer

In April 2021, a customer notified the Company that it was stopping further payment until pending issues of recovery were resolved. The customer was seeking to review a settled issue regarding differential trade terms, which the Company had voluntarily disclosed to the customer, and in relation to which all recovery claims made by the customer had been fully settled. This was disclosed in the annual financial statements for the years ended March 31, 2017 and March 31, 2018. In June 2021, the customer confirmed that the matter of original recovery was settled (which reaffirmed the Company's view) but made an additional claim amounting to ₹ 480 million and committed to resume payments. Further to this communication, the Company recognised a claim of ₹ 353 million (net), which has been presented as an exceptional item in the Standalone and Consolidated Results for the year ended March 31, 2022. The Group does not expect any further claim from the customer in relation to this matter. Also refer note 29(f).

Note 41: Exceptional Items

a) As part of Diageo group's COVID-19 ("Raising the Bar") programme the Company has committed to spend ₹ 750 million over a period of two years from July 1, 2020, in order to support the post Covid-19 revival and recovery of pubs, bars and restaurants serving alcohol.

Raising the Bar aims to provide non-cash support to qualifying pubs, bars and restaurants serving alcohol in Mumbai, Delhi, Bengaluru and other select cities through the Diageo Bar Academy. The programme includes providing hygiene kits, a range of personal protection equipment (such as masks, gloves, hand sanitizers), digital support and training to help these outlets effectively maintain social distancing and enhanced hygiene standards while deploying confidence building measures for consumers to safely visit and socialize. The amount of ₹ 750 million has been accounted as exceptional item in the Statement of Profit & loss for the year ended March 31, 2021. Also refer note 29(b).

b) During the quarter ended March 31, 2022, the Company carried out a consumer research and insights assessment by a third party with respect to a licensed "logo" from UBHL and determined that the "logo" has no impact on consumer's purchasing decision, thereby resulting in no incremental benefits to the Company. Accordingly, the Company has recorded ₹ 864 million in exceptional item, being the accelerated charge pertaining to unamortized license fee. Also refer note 29(i).

c) Disposal of shares held in Hip Bar Private Limited

On 3rd August 2021, a share purchase agreement has been executed with Hip Bar Private Limited for sale of the entire stake of the Company [Equity Shares (4,567,568 Nos.) and Compulsory Convertible Preference Shares (1,950,000 Nos.)] in Hip Bar Private Limited for ₹ 5.2 million. Amount received on account of disposal amounting to ₹ 5.2 million has been presented as gain on disposal of associate under Exceptional item. Pursuant to the sale, the Company has also received all rights, title, and interest in the trademarks 'CloudBar' and 'BarOnTheCloud' from Hip Bar Private Limited, which have been valued at ₹ Nil. Also refer note 29(h).

d) The Group has taken a charge of INR 340 million on account of impairment of property, plant and equipment. This represents impairment loss on property, plant and equipment in respect of certain manufacturing units and includes provision towards potential regulatory risk arising out of excess land holdings in a state (INR 143 million), which are disclosed as exceptional items [Refer note 29(e)]. The Company is in discussion with appropriate authorities to resolve the potential risk.

Note 42: Capital and other commitments

Particulars			As at March 31, 2022	As at March 31, 2021
(a)	Capital commitments for property, plant and equipment		990	799
(b)	Other commitments:			
	i.	relating to advertisement, sales promotion and trade-mark fee	675	977
	ii.	Towards minimum offtake commitment for purchase of bulk scotch from a related party	4,862	536
	iii.	relating to BCCI-IPL franchise	46	67

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(All amounts in ₹ Millions unless otherwise stated)

Note 43: Contingent Liabilities

Particulars		As at March 31, 2022	As at March 31, 2021
(a)	Income tax matters	7,528	7,362
(a)	Indirect tax matters		
	(i) State excise	1,086	650
	(ii) Central excise	2	2
	(iii) Service Tax	350	448
	(iv) Sales tax and entry tax	3,845	3,561
(c)	Other civil litigations and claims	1,606	1,741

Notes:

((a) **Income taxes-** 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 taxes-** The Group has extensive operations across various states in India. The Group has identified possible exposures relating to local sales tax, state excise duty 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) **The below matter is considered as contingent liability in Pioneer Distillers Limited (PDL), a subsidiary, however the amounts in respect thereof is not determinable:**

PDL had filed a petition before the High Court of Bombay, Aurangabad Bench, challenging multiple demands raised by Water Resources Department, State of Maharashtra, levying increased water charges. An interim relief against any coercive steps had been received. PDL has been in appeal on the matter with Maharashtra Water Resources Regulatory Authority and PDL has paid ₹ 13 million (2021: ₹ 11 million) "under protest" which is included in "Balances with government authorities" under Note 9 above. During the year, PDL has received further demands from the said Department levying water charges at a higher rate along with taxes and penalties for the period November 2018 to March 2022. Based on a legal opinion obtained, PDL Management has determined that as PDL is carrying adequate provision in the books for the probable rates of water charges applicable, any further cash outflow on account of this matter is remote.

(f) **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, appropriate disclosure is provided but no provision is made and no contingent liability is quantified.

(g) 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.

(h) 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.

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(All amounts in ₹ Millions unless otherwise stated)

Note 44: Research expenses

Particulars	For the year ended March 31, 2022	For the year ended March 31, 2021
Salaries and wages	59	65
Contribution to provident fund and other funds	3	4
Staff welfare expenses	1	2
Rent	8	8
Miscellaneous expenses	26	20
Total research expenses	**97**	**99**

Note 45: 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 Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation is also their place of business.

Name of the Entity	% of ownership interest		Country of Incorporation	Principal business activity
	March 31, 2022	March 31, 2021		
Subsidiaries :				
Pioneer Distilleries Limited	75	75	India	Manufacture and sale of Spirits
Royal Challengers Sports Private Limited	100	100	India	BCCI – IPL franchise
Tern Distilleries Private Limited (upto January 27, 2021)	-	-	India	Dormant
Sovereign Distilleries Limited	100	100	India	Dormant
United Spirits Singapore Pte Ltd	100	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
UB Sports Management Overseas Limited (merged with Palmer Investment Group Limited w.e.f. July 15, 2020)	-	-	Jersey Islands	Dormant
Montrose International S.A (upto April 16, 2021)	-	100	Panama	Dormant
USL Holdings Limited	100	100	British Virgin Islands	Dormant
USL Holdings (UK) Limited	100	100	U.K.	Dormant
Subsidiaries :				
United Spirits (Shanghai) Trading Company Limited	100	100	China	Dormant
United Spirits (UK) Limited	100	100	U.K.	Dormant
United Spirits (Great Britain) Limited	100	100	U.K.	Dormant

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(All amounts in ₹ Millions unless otherwise stated)

Name of the Entity	% of ownership interest		Country of Incorporation	Principal business activity
	March 31, 2022	March 31, 2021		
Liquidity Inc. (upto Dec 17, 2020)	-	-	USA	Dormant
Controlled trust :				
USL Benefit Trust	100	100	India	Investment in shares of the Company

(b) Interest in an Associate

Set out below is the details of the Group's interest in an associate. The associate is not considered material to the Group. The Country of incorporation or registration is also the principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held. The Group accounted for its interest in the associate using the equity method of accounting. Further, this entity is unlisted and hence no quoted prices are available.

Name of the Entity	% of ownership interest		Country of Incorporation	Principal business activity
	March 31, 2022	March 31, 2021		
HIP Bar Private Limited [up to August 03, 2021 - Refer note 41(c)]	-	26	India	Operates a web based alcohol distribution mobile application under the brand name HIPBAR

(c) Goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis.

Individual subsidiaries have been determined as cash-generating units (CGU) for the purpose of assessing impairment of goodwill. Higher of the value in use or fair value, less costs of disposal have been considered as the recoverable amount of the CGUs. The Group has used 'cost approach' valuation principle for determining the fair value of the subsidiaries. The fair values determined have been classified as level 3.

The entity wise detail of goodwill and impairment charge, if any recognised is set out below:

Description	McDowell (Scotland) Limited	Sovereign Distilleries Limited	Total
Carrying amount of Goodwill as at April 1, 2021	**13**	**197**	**210**
Net assets of the subsidiary	131	242	373
Total	**144**	**439**	**583**
Recoverable amount (Refer note below)	144	439	583
Shortfall/ (Surplus) over carrying value	-	-	-
Impairment allowance for the year	**-**	**-**	**-**
Carrying amount of goodwill as at March 31, 2022	**13**	**197**	**210**

Note:

Recoverable amount disclosed above is restricted to the aggregate of the carrying amount of net assets and goodwill.

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(All amounts in ₹ Millions unless otherwise stated)

Description	McDowell (Scotland) Limited	Sovereign Distilleries Limited	Total
Carrying amount of Goodwill as at April 1,2020	**13**	**197**	**210**
Net assets of the subsidiary	126	151	282
Total	**139**	**348**	**492**
Recoverable amount	139	348	492
Shortfall/ (Surplus) over carrying value	-	-	-
Impairment allowance for the year	**-**	**-**	**-**
Carrying amount of goodwill as at March 31, 2021	**13**	**197**	**210**

Note:

Recoverable amount disclosed above is restricted to the aggregate of the carrying amount of net assets and goodwill.

(d) Details on Non-controlling Interest (NCI)

Set out below is summarised financial information for all the subsidiaries in which there is a non-controlling interest. The amounts disclosed are before inter-company eliminations.

Summarised Balance Sheet:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	As at March 31, 2022	As at March 31, 2021	As at March 31, 2022	As at March 31, 2021
Non-current assets	-	-	2,617	3,050
Current assets	-	-	1,130	956
Total assets	**-**	**-**	**3,747**	**4,006**
Non-current liabilities	-	-	(2,551)	(2,467)
Current liabilities	-	-	(4,693)	(4,317)
Total liabilities	**-**	**-**	**(7,244)**	**(6,784)**
Net assets	**-**	**-**	**(3,497)**	**(2,778)**
Accumulated non-controlling interest (NCI)	-	-	(789)	(609)

Summarised Statement of Profit and Loss:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue	-	-	2,147	1,704
Profit/ (loss) for the year	-	3	(2,867)	(2,570)
Other comprehensive income	-	-	(1)	(8)
Total comprehensive income	-	3	(719)	(874)
Total comprehensive income allocated to NCI	-	1	(180)	(217)

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(All amounts in ₹ Millions unless otherwise stated)

Summarised Statement of cash flows:

Particulars	Liquidity Inc.		Pioneer Distilleries Limited	
	As at March 31, 2022	As at March 31, 2021	As at March 31, 2022	As at March 31, 2021
Cash flows from operating activities	-	0	242	53
Cash flows from investing activities	-	0	(184)	(173)
Cash flows from financing activities	-	0	(58)	113
Net increase / (decrease) in cash and cash equivalents	-	0	(1)	(7)

There were no transactions with non-controlling interest holders in the year ended March 31, 2022 and March 31, 2021.

e) Share of profit and assets of subsidiaries / associate

Name of the entity	Net assets, i.e., total assets minus total labilités		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	92.58%	45,129	117.37%	9,514	100%	124	117.11%	9,638
Overseas Subsidiaries								
Liquidity Inc.	-	-	-	-	-	-	-	-
United Spirits (Shanghai) Trading Company Limited	(0.00)%	(1)	0.00%	0	-	-	0.00%	0
United Spirits Singapore Pte Ltd	0.02%	11	-	-	-	-	-	-
Montrose International S.A	-	-	-	-	-	-	-	-
Asian Opportunities and Investments Limited	0.01%	3	(0.04)%	(3)	-	-	(0.04)%	(3)
McDowell & Co. (Scotland) Limited	0.27%	131	0.01%	1	-	-	0.01%	1
Shaw Wallace Overseas Limited	0.04%	18	0.00%	0	-	-	0.00%	0
United Spirits (Great Britain) Limited	0.01%	5	(0.01)%	(1)	-	-	(0.01)%	(1)
United Spirits (UK) Limited	-	-	(0.04)%	(3)	-	-	(0.04)%	(3)
USL Holdings Limited	0.06%	31	0.00%	0	-	-	0.00%	0
USL Holdings (UK) Limited	0.00%	1	(0.01)%	(1)	-	-	(0.01)%	(1)
Palmer Investment Group Limited	0.01%	5	(0.02)%	(2)	-	-	(0.02)%	(2)
UB Sports Management Overseas Limited	-	-	-	-	-	-	-	-
Sub-total		**45,333**		**9,505**		**124**		**9,629**

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(All amounts in ₹ Millions unless otherwise stated)

Name of the entity	Net assets, i.e., total assets minus total labilités		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	0.97%	473	(25.44)%	(2,062)	-	-	(25.05)%	(2,062)
Royal Challengers Sports Private Limited	7.07%	3,448	9.66%	783	-	-	9.51%	783
Tern Distilleries Private Limited	-	-	-	-	-	-	0.00%	0
Sovereign Distilleries Limited	0.50%	242	0.74%	60	0.00%	0	0.73%	60
USL Benefit Trust	0.08%	41	0.00%	0	-	-	0.00%	0
Sub-total		**4,204**		**(1,219)**		**-**		**(1,219)**
Non-Controlling Interest in subsidiaries								
Liquidity Inc.	0.00%	0	-	-	-	-	-	-
Pioneer Distilleries Limited	(1.62)%	(789)	(2.22)%	(180)	-	-	(2.19)%	(180)
Sub Total		**(789)**		**(180)**		**0**		**(180)**
Associates								
Hip Bar Private Limited	-	-	-	-	-	-	-	-
Total	**100%**	**48,748**	**100%**	**8,106**	**100%**	**124**	**100%**	**8,230**

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 46(a): Letter of financial support to subsidiaries

PDL has incurred loss of ₹ 720 million during the current year and has an accumulated deficit in net worth amounting to ₹ 3,498 million (2021: ₹ 2,779 million). Accordingly, the net worth of PDL has been eroded. Further, the current liabilities exceed the current assets as at the year-end. Management and the Board of Directors of PDL have reviewed the cash flow forecast for the next twelve months and based on the letter of financial support obtained from United Spirits Limited, the holding company, have concluded that there is no material uncertainty on the ability of PDL to continue as a going concern

Note 46(b): Letter of comfort to a bank

The Company has given a letter of comfort to a bank, towards a loan facility from that bank amounting to ₹ 3,500 million (2021: ₹ 3,500 million) availed by Pioneer Distilleries Limited (PDL), a subsidiary. As per the letter, the Company has expressed its intention to ensure that PDL repays the outstanding amount under the facility on due date and in the event of default by PDL, to take appropriate steps to cause PDL to repay the outstanding out of PDL's resources. The said letter does not constitute a guarantee by USL, as in the event of default by PDL, the bank shall have no recourse to USL.

Note 46(c): Proposed merger of Pioneer Distilleries Limited with United Spirits Limited

The Board of Directors ("Board") of PDL and of the Company at their meetings held on December 2, 2019 considered and approved a scheme of amalgamation and arrangement (the "Scheme") 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. Upon completion of the merger, the non-promoter shareholders of PDL will receive 10 equity shares of the Company (face value of INR 2 each) for every 47 equity shares of PDL (face value of INR 10 each), held by them as on the record date. Post the merger, the Company's issued capital is expected to expand by 712,138 shares and the revised shareholding of Relay BV (the holding company, a subsidiary of Diageo plc) in the Company will change from 55.94% to 55.88%. The Scheme is subject to the receipt of requisite approvals from the relevant statutory authorities. The BSE Limited and the National Stock Exchange of India

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

Limited have issued their no-objection to the draft scheme and related documents filed, vide observation letters dated October 21, 2020 and October 22, 2020, respectively. The Company, jointly with PDL, has filed an application under Sections 230 to 232 of the Companies Act, 2013 on November 27, 2020 with the National Company Law Tribunal, Bangalore ("NCLT"), and again an Interlocutory Application was filed before NCLT on April 7, 2021. Based on the order of the NCLT received on August 18, 2021, the Company and PDL convened meetings of their respective equity shareholders, and the Company also convened a meeting of its unsecured creditors, on September 30, 2021. The Scheme was approved with requisite majority at these meetings. Subsequently, a joint petition to sanction the Scheme has been filed by USL and PDL with the NCLT on October 02, 2021. Company's petition was heard by the NCLT on January 12, 2022 and April 18, 2022. At the scheduled hearing of the NCLT on May 27, 2022, the matter was not discussed and management is yet to receive the next date for hearing

The impact of the above merger will be given effect in the consolidated financial statements upon approval of the Scheme by the NCLT and completion of the required regulatory filings.

Note 47: Strategic review of selected brands

Following the strategic review of select popular brands announced on February 23, 2021, the Board of Directors of the Company, on May 27, 2022, approved the sale of the business undertaking associated with 32 brands and franchising of 11 Popular brands to an unrelated party. The transaction is subject to the approval of the shareholders and other customary closing conditions. There is no impact of this transaction on the Standalone and Consolidated financial statements for the year ended March 31, 2022.

Note 48: Investment in Nao Spirits

On March 12, 2022, the Company announced a strategic investment in Nao Spirits & Beverages Private Limited ("Nao Spirits"). On April 29, 2022, the Company completed the acquisition 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. The Company has a call option to acquire remaining shares held by the other shareholders of Nao Spirits at a pre-determined valuation methodology.

Note 49: Additional disclosures

i. Details of benami property held

The Group 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 and it's Subsidiaries have no borrowings from banks and financial institutions on the basis of security of current assets.

iii. Wilful defaulter

The Company and it's Subsidiaries have not been declared wilful defaulters by any bank or financial institution or government or any government authority.

iv. Relationship with struck off companies

The 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 Group has ensured compliance with Section 2(87) of the Companies Act, 2013 read with Companies (Restriction on Number of Layers) Rules, 2017 ('Layering Rules') is not applicable.

vi. 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 of company and it's subsidiaries.

vii. Compliance with approved scheme(s) of arrangements

The Group has not entered into any scheme of arrangement which has an accounting impact on current or previous financial year.

Notes to the Financial Statements (Continued)

(All amounts in ₹ Millions unless otherwise stated)

viii. 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

ix. Revaluation 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.

x. Utilisation of borrowings availed from banks and financial institutions

The borrowings obtained by the Group from banks have been applied for the purposes for which such loans were was taken, the PDL has availed the loan from bank during the year.

Note 50: Impact of Covid-19

Management has considered various internal and external information available up to the date of approval of financial results in assessing the impact of Covid-19 pandemic on the Consolidated financial statements for the quarter and year ended March 31, 2022. Management has determined that COVID-19 is not likely to materially impact the future operations of the Group considering a large section of the population has been vaccinated and based on Group's own past experience with the pandemic. The Group continues to maintain a positive outlook for the next financial year and will continue to monitor changes in future economic conditions.

With a surge in the spread of the Covid-19 pandemic in India during the quarter ended June 30, 2021, the Group has committed to spend ₹ 100 million towards improving health infrastructure of Government hospitals and institutions. The amount of ₹ 100 million has been recorded and presented as an exceptional item in the Consolidated statement of Profit and loss for the year ended March 31, 2022.

Note 51: Long term contracts, including derivative contracts

The Group does not have any derivative contracts as at March 31, 2022. The Group has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. No provision for material foreseeable losses is necessary based on the review of such contracts as at year end.

Note 52: Previous year figures have been regrouped / reclassified to conform to the current year's classification.

For **Price Waterhouse & Co Chartered Accountants LLP**
Firm registration number: 304026E/E-300009
Chartered Accountants

Dibyendu Majumder
Partner
Membership number: 057687

Place: Bengaluru
Date: May 27, 2022

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: Ahmedabad

V K Viswanathan
Director
DIN: 01782934
Place: Bengaluru

Pradeep Jain
Chief Financial Officer

Place: Bengaluru

Mital Sanghvi
Company Secretary

Date: May 27, 2022

Place: Bengaluru

Corporate Information

Chief Financial Officer
Pradeep Jain

Vice-President – Company Secretary and Ventures Finance
Mital Sanghvi

Auditors
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Bengaluru – 560 001

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Integrated Registry Management
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