PIONEER DISTILLERIES LIMITED

(a subsidiary of United Spirits Limited)

27th

Annual Report

2019-20

Managing Director's Message

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our Annual Report for the Financial Year 2019-20. This has been a challenging year due to various reasons such as reliability issues in Plant, Surge in input material price particularly Molasses, unplanned closure of plant during the year end due to Covid19 related lockdowns, other regulatory challenges etc. However, the compliance has been strengthened across the Company in order to set a right platform to operate in future.

Despite the turbulent year, we focused our investments in improving processes, Zero Liquid Discharge (ZLD), environmental compliance, to ensure predictability in operations and reduction of unpredictable stoppages. We have carried out efficiency evaluation on the energy front and the recommendations shall be taken forward and implemented. We have undergone Reliability project during the year and once completed, same will yield better capacity utilization and Efficiency in distillation process.

Our company has immense potential being United Spirits Limited's (USL's) only integrated plant that handles "Grain to Glass" with a clear roadmap for transformation to become the most trusted and respected amongst ENA, Malt Spirit and IML manufacturing company in India.

I am able to draw strength from my past experience which has provided me immense insights into the business of the Company apart from the experience gained during the transformation journey into Diageo's Global practices, which has helped in integrating the global best business practices with the company's manufacturing setup.

This is a validation of our Company's transformation journey with a clear focus on following six Important Priorities:

- Safety Transformation
- Compliance
- Organisation and People
- Manufacturing Excellence
- Sustainibility
- Operation Reliability and consistency.

It is also a testimony to the strong capabilities we have built over the years, as well as the quality of talent now in the Company. Despite several regulatory challenges which impacted the industry last year, we posted improvement in our performance, underlined by growth in external net sales after adjusting for operating model changes. We delivered an enhancement of Gross Margin which was made possible through price advantage from raw material cost, mitigation of risks from the various environmental and external interventions through policy advocacy, a relentless focus on productivity and realization of headline pricing.

Strengthening the operations

Our performance has been driven with focus on the four Key Operational areas – production of Extra Neutral Alcohol (ENA) from Grain, ENA from Molasses, production of best in Class Malt Spirit and largescale inhouse maturation. The Maturation process is constantly monitored, and the Spirit was rated as the finest in Industry by Diageo India's Technical centre and shall be game changer for future growth including manufacturing Indian Made Liquor (IML) Brands for United Spirits Limited.

Parallelly, we made further progress on our 'fit for purpose' operating model in the above areas of operation. Ontime seasonal purchase, taking competitive advantage by ensuring consistent quality of ENA.

Our margins are heavily dependent on the Government policies which are more oriented towards increasing the revenue of the Government, change in climatic conditions especially monsoon impact, subsidy realization, depreciation and interest on borrowings. In light of the above, I am glad to announce that with support of United Spirits Limited and Diageo, we are now creating a roadmap to minimize the impact, enable sustainability and reduce dependency on the above by increasing operational stability and efficiencies as a key towards consistent earnings.

Our role in society

We constantly endeavour to reduce the harm caused by irresponsible consumption of alcohol and enable the people to make a positive contribution to society. I am pleased to inform that this year we have seen more engagements from local communities, government agencies, traffic police, enforcement agencies, media and reputed not-for-profit organizations on major initiatives taken by the Company towards road safety, provision of safe drinking water during summer, repairing of access roads, desilting of rivers, teaching skills to women and providing bore wells and several initiatives to stand by society during Covid pandemic.

Your Company is supported by United Spirits Limited in its commitment to minimising the environmental impact across its operations. We are proud of the progress we are making on Key Performance Indicators (KPI) towards our environmental initiatives.

Building a talented and inclusive workplace

Our commitment to enable employees to 'be the best they can be' as a core principle. At the core of our business strategy we continue to invest in training, exposing people to new technologies and in process improvement methodologies. We have created a roadmap and are in the process of launching policies, competitive reward programmes, coaching and wellbeing initiatives for empowering the employees. Indeed, our achievements in this challenging year bear testimony to the quality of talent in the Company, our growing reputation as an employer, and our focus on leadership development.

I also take the opportunity to welcome our new independent director Ms. Srivathsala into the Board, which I believe
would strengthen the Board functioning and get multiple perspective of any issue.

I would like to conclude by saying that our core aim is to bring in a significant change in the general perspective of the society towards spirit manufacturing sector and to leave a legacy of a business which will sustain on the core foundations of ethical standards and sustainability. We are ready to embrace the opportunities of tomorrow and to map the next phase of our journey.

On behalf of the Board, I would like to extend our deepest appreciation to the management team for their dedication and commitment in driving your Company forward. Our sincere appreciation also goes to all employees who relentlessly strived against odds and for playing an important role in ensuring that your Company continues to be one of the leading Distillery in Maharashtra. We would also like to express our gratitude to all stakeholders, partners and customers for their support to your Company. Looking forward to your continued support as we step into challenging times ahead

Thank you for standing by us in this challenging journey.

Yours sincerely,

July 23, 2020
Bengaluru

Alokesh Biswas
Managing Director

Board of Directors

Mr. R. Krishnamurthy
(Chairman)

Mr. Ravi Varma
(Managing Director, till 1st July, 2020)

Mr. Alokesh Biswas
(Managing Director, effective 1st July 2020)

Ms. Srivathsala K. N.
(Independent Director)

Ms. Mamta Sundara
(Non-Executive Director)

Mr. Ajay Goel
(Non-Executive Director)

Mr. Sanjeev Kumar Gupta
(Non-Executive Director)

Committee Membership

- Audit and Risk Management Committee
- Stakeholders Relationship Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee

Board of Directors

Mr. R. Krishnamurthy, *Chairman*

Mr. R. Krishnamurthy has completed his Graduation in Commerce, Science and Law. He is also a member of the Institute of Company Secretaries of India. He has a rich experience in Compliance of various Laws and Administration. Mr. R. Krishnamurthy possess relevant experience and knowledge in the field of Law and Administration. Presently, Mr. R. Krishnamurthy practices as an Advocate in the High Court of Karnataka.

Mr. Ravi Varma, *Managing Director (resigned as Director and MD effective 1st july, 2020)*

Mr Ravi Varma has an experience of about 26 years in alcoholic beverages and other related industries. Prior to moving to Pioneer Distilleries, he was with United Spirits Limited, presently a subsidiary of Diageo plc from January 2013 to September 2018, wherein he was responsible for handling manufacturing operations & Operational Excellence. He was instrumental in carrying out significant transformation of the sites, operations, overall performance & productivity, implementing operational excellence and team capability at Nacharam distillery of United Spirits Limited. He had worked with various companies in different roles in Shaw Wallace and as Manufacturing Head of MGM Unit in AP. He was on the board as an Executive Director in Kakatiya Properties, Flax Hydro Energy (Lead Hydel Power-Project) and SML Beverages. He was also heading as a Chief Executive Franchise (M&S Bottling) Khoday's franchise partner for south handling Business - Supply and Demand teams while Heading Business in South prior to his role in United Spirits Limited.

Mr. Varma is a Science graduate and has a rich experience in the field of manufacturing and supply in AlcoBev industry.

Mr. Alokesh Biswas, *Managing Director (effective 1st July 2020)*

Mr Alokesh Biswas will be a Manging Director of the Company effective 1st July 2020. Mr. Biswas is an operational professional with an experience of about 19 years in AlcoBev Industry. Mr Biswas joined Diageo India in June 2001, wherein he was responsible for handling manufacturing operations. He was also instrumental in carrying out significant improvements in site operations. He played key role in efficient operations of Coal Fired Boiler with optimum fuel factor, monitoring and implementing water treatment plant with detailed project report process and introducing overall equipment effectiveness concept in Indian made Foreign Liquor (IMFL) production.

Mr Biswas was leading molasses based primary distillation, barley malt based malt spirit plant, grain extra neutral alcohol (ENA) plant having

programmable logic controller (PLC) based operations, centrifuge & Multiple Effect Evaporator (MEE) as effluent treatment process in grain based distillery and Fluidised Bed Combustion (FBC) boiler & condensation cum extraction turbine in captive power plant. He also played a crucial role in removing all excisable goods from different parts of country after statutory prohibition of liquor in states.

He graduated as an engineer from National Institute of Technology, Durgapur.

Ms. Srivathsala K.N, *Independent Director*

Ms. Srivathsala is an Entrepreneur and an Angel Investor. She is Mentoring many companies in the area of business strategy and Financial Management. She is also founder of four organizations.

As a mentor she guides entrepreneurs on how to start and grow a profitable business that make a positive impact. She helps them to recognize great business ideas/models from amongst flurry of possible business avenues. She also helps to build a fast-growing organization on a foundation of strong cultural values.

She is also a mentor at Prahlad Kakkar's Institute of Branding and Entrepreneurship and IIT Mumbai, she has been interacting with students at various levels on financial planning and entrepreneurship. She has conducted various Training and Awareness Programs on Entrepreneurship and Financial Literacy for corporates, public and Students. She is a noted speaker on the topic of Financial Planning and Entrepreneurship in reputed forums such as SEBI, National Stock Exchange, Times Foundation, The Christ University, RBI, Bank of India, many IT companies and WEConnect. Srivathsala's views are quoted in Times of India, Hindu Business Line, Economic Time, Mint etc.

She is a Certified Financial Planner and holds a Post-graduate degree in Commerce from Bangalore University. She is also an Institute of Chartered Accountants India's qualified "Accounting Technician"

Ms. Mamta Sundara, *Non- Executive Director*

Ms. Mamta Sundara has 17 years of experience as a legal professional working in India, Singapore and London across diverse range of businesses including telecom and consumer durables. Ms. Mamta Sundara has joined United Spirits Limited as the General Counsel in February 2015. Prior to that, she has spent 6 years in various roles in Diageo across London, Mumbai and Bangalore, with her last role providing support to the strategy and standards work done within United Spirits Limited. Prior to Diageo, Ms. Mamta Sundara has spent 4 years based in Singapore and providing all

legal support for the South East Asia business of the Global Services division of British Telecom.

Ms. Mamta Sundara is a law graduate from the National Law School of India University, Bangalore

Mr. Ajay Goel, Non- Executive Director

Mr. Ajay Goel is Executive Vice President and Finance Controller at United Spirits Limited (USL) – a Diageo Group Company and is part of Diageo India Leadership Team. He is responsible for controllership, taxation, treasury, risk management functions for USL and governance of 17 subsidiaries network of United Spirits Limited.

He has around 19 years of diversified work experience with Nestle, Coca-Cola, GE and now with United Spirits Limited. In his career spanning across FMCG and Industrial companies, Ajay has worked both in technical finance and business finance in the areas of Financial Planning and Analysis, Controllership, Supply Finance and as CFO.

Prior to joining United Spirits Limited, Ajay was with General Electric (GE) where he spent 10 years in various roles of increasing responsibility including CFO - GE Light India and CFO – Supply Chain GE India region.

He is a Commerce Graduate, Chartered Accountant and Company Secretary.

Mr. Sanjeev Kumar Gupta, Non- Executive Director

Mr. Sanjeev Gupta is Executive Vice President – Manufacturing Operations at United Spirits Limited – a Diageo Group Company and is part of Diageo India Leadership Team. He is responsible for manufacturing operations of own units, third party manufacturing units, operations excellence and engineering and capital projects for United Spirits Limited.

He has around 29 years of diversified work experience with Unilever in India and Srilanka, Mondelez in South East Asia, Tata steel and Ceat Tyres. In his career spanning across FMCG and Industrial companies, Sanjeev has worked in various supply chain functions including manufacturing, Quality Assurance, Manufacturing Excellence, Demand/Supply Planning and Logistics and has been in the country leadership team in Unilever Srilanka and Mondelez in Indonesia and Vietnam.

Prior to joining Diageo, Sanjeev was with Mondelez International as Integrated Supply Chain Director and was leading end to end supply chain for Vietnam business.

He is an engineering graduate from IIT Roorkee and post-graduate from NITIE Mumbai.

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BOARD OF DIRECTORS:	**R Krishnamurthy** *Chairman* **Ravi Varma** *Managing Director* *(Till 1st July 2020)* **Alokesh Biswas** *Managing Director* *(Effective 1st July 2020)* **Srivathsala K N** **Mamta Sundara** **Ajay Goel** **Sanjeev Gupta**
CHIEF FINANCIAL OFFICER:	**Sanjoy Sarkar**
COMPANY SECRETARY:	**B LAkshara**
AUDITORS:	**Price Waterhouse & Co Chartered Accountants LLP** 5th Floor, Tower 'D', The Millenia, 1 & 2 Murphy Road, Ulsoor, Bengaluru - 560 008
REGISTERED OFFICE:	'UB Tower', Level 10, #24, Vittal Mallya, Road, Bangalore-560001. Tel No. +91 80 3985 6905 Fax No. +91 80 3985 6862
REGISTRARS & TRANSFER AGENTS:	**Venture Capital and Corporate Investments Private Limited** H.No.12-10-167, Bharat Nagar, Hyderabad 500018 Tel: 040 2381 8475/76, Fax: 040 2386 8024

PIONEER DISTILLERIES LIMITED

DIAGEO INDIA

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Tel: +91 80 2221 0705, +91 80 3964 2207; Fax: +91 80 3985 6862
Web: www.pioneerdistilleries.com E-mail: pdlinvestor.india@diageo.com

NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting ("AGM") of the members of Pioneer Distilleries Limited (the "Company") to be held through video conference ("VC") / other audio-visual means ("OAVM") on Tuesday, 29th September 2020 at 3:30 p.m. to transact the following businesses:

Ordinary Business:

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended March 31, 2020 and the Reports of the Directors and Auditors thereon.

2. To appoint a Director in place of Mr. Sanjeev Gupta (DIN: 03643328), who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following Resolutions:

3. Appointment of Mr Alokesh Biswas (DIN: 08756326) as a Director:

   As an Ordinary Resolution

   RESOLVED THAT Alokesh Biswas (DIN: 08756326), Managing Director of the Company, who was appointed as an additional director of the Company with effect from 1st July 2020 and whose period of office expires on the date of this Annual General Meeting, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director and recommended by the Nomination and Remuneration Committee, be and is hereby appointed as a Director of the Company, liable to retire by rotation.

4. Appointment of Mr. Alokesh Biswas (DIN: 08756326) as a Managing Director for a period of two years:

   As a Special Resolution

   RESOLVED THAT subject to the provisions of Sections 196 and 197, read with Schedule V and other applicable provisions of Companies Act, 2013, or any statutory modification or re-enactment thereof, Mr. Alokesh Biswas (DIN: 08756326), Managing Director of the Company who was appointed as an additional director of the Company and whose period of office expires on the date of this Annual General Meeting, and whose appointment has been recommended by the Nomination and Remuneration Committee and approved by the Board, be and is hereby appointed as Managing Director of the Company for a period of two years, on the following terms and conditions:

1.	Basic Salary	Basic Salary of ₹2,07,500/- per month
2.	Basket of Allowance	Up to ₹3,48,903/- per month as per the policy of the Company.
3.	Annual Incentive Plan	Annual Incentive Plan (₹11,62,000/- per year based on multiple of 1) is a non-guaranteed incentive payment based on overall company's and individual performance which is subject to variation based on the performance of the director and achievement of targets by the Company.
4.	Provident Fund	Admission and contributions will be as per the applicable statutory provisions.
5.	Gratuity	Payable as per the statutory provisions and the rules of the Company.
6.	Insurance	i. Group personal accident and term life insurance - Applicable as per the policy of the Company. ii. Group Mediclaim policy - Applicable as per the policy of the Company.
Tax Liability - The taxability of various allowances/ reimbursements mentioned above is to be considered in the light of existing tax laws or as amended from time to time.		
Such other benefits, amenities, facilities and perquisites as per the rules of the Company, as applicable and as may be permitted by the Board of Directors of the Company.		