

DIAGEO
INDIA

PIONEER DISTILLERIES LIMITED

(a subsidiary of United Spirits Limited)

28th **ANNUAL** **REPORT**

2020 - 2021



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 2020-21. 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 due to Covid-19 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 process reliability, Zero Liquid Discharge (ZLD) and environmental compliance to ensure predictability in operations and reduction of unpredictable stoppages. We have undergone Reliability project during the 3rd quarter of the year and same has resulted significant improvement on overall capacity utilization and efficiency in distillation process. Further consistency in utilities have paid dividend to overall operation reliability post completion of Reliability Projects.

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
- Sustainability
- 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 Center and shall be game changer for future growth including manufacturing Indian Made Liquor (IML) brands for United Spirits Limited.

Parallely, 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 the support of United Spirits Limited and Diageo, we are now creating a roadmap to minimize the negative 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 endeavor 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 stood with the society during the Covid19 Pandemic and donated Oxygen Tank to District Hospital in order to effectively fight the pandemic and same has been appreciated by District Authority. Also, we did several work in and around the factory on Water Rejuvenation and Sanitation as part of our quest to improve the life of communities where we operate.

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 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 in the coming period too.

Thank you for standing by us in this challenging journey.

Yours sincerely,

7th May 2021
Bengaluru

Alokesh Biswas
Managing Director

BOARD OF DIRECTORS



Mr. R. Krishnamurthy
(Chairman)



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



Ms. Srivathsala K N
(Independent Director)



Ms. Mamta Sundara
(Non-Executive Director)



Mr. Sanjeev Gupta
(Non-Executive Director)



Gopal Kothari
(Non-Executive Director
effective 17th March 2021)



Ravi Varma
(Managing Director,
till end of day 30th June 2020)



Mr. Ajay Goel
(Non-Executive Director,
till end of day 16th March 2021)



Committee Membership

-  Audit & 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. Alokesh Biswas, *Managing Director* (effective 1st July 2020)

Mr Alokesh Biswas is an operational professional with an experience of about 20 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 organisations.

As a mentor she guides entrepreneurs on how to start and grow a profitable business that make a positive impact. She helps them to recognise great business ideas/models from amongst flurry of possible business avenues. She also helps to build a fast-growing organisation 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 hold 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 18 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. 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 30 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.



Mr. Gopal Kothari, *Non- Executive Director*

Mr. Gopal Kothari is a qualified Chartered Accountant (ICAI) and Company Secretary (ICSI) with 19 years of experience of working with leading consumer products companies. He is presently Vice President – Supply Finance in United Spirits Limited (“USL”). He served the Company as Chief Financial Officer for quite some time and served one of the then wholly owned subsidiaries of United Spirits Limited, Tern Distilleries Private Limited as a Director. Prior to joining USL, he was working as Finance Controller of Diageo India Private Limited. He has worked in various finance roles at Shaw Wallace & Co. Limited, Nestle India Limited, PepsiCo India Holdings Private Limited, and GlaxoSmithKline Consumer Healthcare Limited.

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BOARD OF DIRECTORS :

R Krishnamurthy
Chairman

Alokesh Biswas
Managing Director
(Effective 1st July 2020)

Srivathsala K. N.

Mamta Sundara

Sanjeev Gupta

Gopal Kothari
(Effective 17th March 2021)

Ravi Varma
Managing Director
(Till end of day 30th June 2020)

Ajay Goel
(Till end of day 16th March 2021)

CHIEF FINANCIAL OFFICER:

Sanjoy Sarkar

COMPANY SECRETARY:

B L Akshara

AUDITORS:

Price Waterhouse & Co
Chartered Accountants LLP
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