

PIONEER DISTILLERIES LIMITED

(a subsidiary of United Spirits Limited)

29th
**ANNUAL
REPORT**

2021 - 2022

29



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 2021-22. This has been a challenging year due to unprecedented inflation in input material price particularly molasses, grain and rice husk and same is expected to continue going forward due to Global Geopolitical issues. However, because of improved plant reliability and sustained focus on compliance, our fiscal performance have improved significantly over FY 2020-21.

Despite the turbulent year, our focus on right talent and right infusion of capex have improved plant reliability significantly and same has resulted highest ever capacity utilisation of ENA Plant in FY 2021-22. Our continued focus in process improvement have also yielded highest ever productivity saving during the fiscal. During the year we have consistency in utilities operation which has paid dividend to overall operation of the plant. Our focus on compliance have strengthened further and we have received all critical licenses to operate in this year. Our focus on sustainability continues during the fiscal and we have reduced our water footprint significantly and our target to become Carbon Neutral going forward is well on track. Our company has immense potential of 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 Indian Made Foreign Liquor (IMFL) 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 seven important priorities:

- Safety Transformation
- Compliance
- Delighting our customers through world class product
- 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 IMFL 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 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,
Alokesh Biswas
Managing Director

BOARD OF DIRECTORS



Mr. R. Krishnamurthy
(Chairman)



Alokesh Biswas
(Managing Director)



Ms. Srivathsala K N
(Independent Director)



Ms. Mamta Sundara
(Non-Executive Director)



Mr. Sanjeev Gupta
(Non-Executive Director)



Mr. Nimish Shah
(Non-Executive Director
effective 31st Dec 2021)



Mr. Gopal Kothari
(Non-Executive Director
till 22nd Oct 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 Bangalore.



Mr. Alokesh Biswas, *Managing Director*

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 and was also instrumental in carrying out significant improvements in site operations. He has headed most complex operational sites of Diageo India having Distillation, Maturation, Cogen facility and IMFL Bottling Operation.

Mr Biswas have domain expertise in molasses based primary distillation, barley-based malt spirit plant followed by maturation, 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 & Back-pressure turbine in captive power plant. He has handled Manufacturing Regional Cluster head role in East and South and delivered Top-line and Bottom -line growth in line with organization expectation. He also played a crucial role in removing all excisable goods after imposition of statutory prohibition of liquor in Bihar.

He graduated as an Chemical Engineer (BE) 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 20 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, Mr. Gupta 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, Mr. Gupta 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. Nimish Shah, *Non- Executive Director*

Mr. Nimish Shah is Executive-Vice President – Financial Controller in United Spirits Limited- a Diageo Group Company. He is a qualified Chartered Accountant (ICAI) with over 2 decades of experience through varied roles in business operations with P&L accountability, strategic and business planning, corporate finance, and controllership having worked in organizations such as The Walt Disney Company and Pepsi Co. Inc.

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BOARD OF DIRECTORS :

R Krishnamurthy
Chairman

Alokesh Biswas
Managing Director

Srivathsala K. N.

Mamta Sundara

Sanjeev Gupta

Nimish Shah
(effective 31st December 2021)

CHIEF FINANCIAL OFFICER:

Gopal Kothari
(effective 22nd October 2021)

COMPANY SECRETARY:

J Swamynathan
(effective 23rd October 2021)

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 4544 8000
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 802