

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Annual Report of Pioneer Distilleries Limited for the financial year ended 31 March 2016.

I am privileged to be the Managing Director of Pioneer Distilleries Limited (PDL). When I joined the Board of PDL in October 2015, it was because the promising opportunity was so evident that I wanted to be a part of this company's future. Everything that I have witnessed in the last several months makes me confident that the Company is on the right track to deliver on that promise.



While there are many important issues to talk about, three things stand out: (i) the Company's commitment to the highest standards of corporate governance, and intense focus on compliance and ethical conduct in everything we do, (ii) a strong move to strengthen commercial and operational controls, and institute robust systems and processes, and (iii) making the right investments in our manufacturing facilities. In all of the above, the Company has been fully supported by its principal shareholder and its holding company namely United Spirits Limited (USL).

Improving efficiencies

We continuously drove greater efficiencies in our systems through prudent initiatives and improved processes. Our persistent efforts to enhance productivity through rationalization of COGS (Cost of Goods Sold) have yielded significant savings, as we work towards bringing greater cost efficiencies into our supply chain. This cuts across access to raw materials, manufacturing processes and logistics. We will continue to focus on managing working capital and improving cash flow, as well as further reducing debt.

India presents one of the most exciting opportunities in the world. The country is forging ahead as the fastest growing economy. What makes India particularly attractive is not just the economic growth, but what constitutes and drives such growth. An upwardly mobile aspirational middleclass and a vast number of consumers moving towards affluence is ensuring that the core consumption fundamentals remain robust.

We have made good strides in our transformational journey, and while there is more work to be done to reduce complexity in the way we work and simplify the organization structure to deliver efficiency and growth, I am confident that every single building block we put in place last year has set us firmly on the runway to success.

Performance Overview

The year 2015-16 was indeed challenging, with severe drought in Maharashtra leading to shortage of process water and availability of raw material viz., Grain. Amidst this backdrop, the Company was able to leverage on our solid fundamentals and resilient nature to deliver profit first time since 2010-11 and growth in IMFL bottling volumes in 2015-16. For the financial year ended 31st March 2016, the Company recorded and delivered Profit After Tax of Rs.342,384,201.

The Company has installed and commissioned additional IMFL bottling line during the year 2015-16. Despite the adverse environment, we started off on a strong note and continued to record stable results throughout the year, propelled by the increased IMFL bottling volumes for USL. This has helped to accrue mega subsidy due for the Company. We have accrued Rs. 81.27 Cr Government subsidy during the year 2015-16. As a proactive step to mitigate the process water non availability, the Company has commissioned bore wells and supported partial operations. We had stopped Molasses ENA plant operations since February 2016. The same was disclosed to shareholders through our notifications dated March 03, 2016 and June 29, 2016. However, the Company has taken up expanding water storage facilities so that storage of 20 Cr liters of water through rain water harvesting is available. This will help us to reduce our carbon footprint. The Company has commenced Malt spirit plant operations in March 2015. This will help to utilize the company's investments made in this facility. We have supplied fresh malt spirits to USL. We will be setting up malt maturation facility during 2016-17 and will be ready to sell matured malt spirit during the 4th quarter of FY 2016-17.

The Company has developed business strategy up to 2020 and the same was approved by board to invest around Rs.120 Cr to enhance IMFL production from 7.2 lakh cases to 24 lakh cases per year, setting up Malt production facility of 36 lakh liters and upgradation of ENA plant facilities to improve efficiency and effectiveness of operations. We will be availing Mega subsidy from Maharashtra Government against these investments. We expect to complete the investments by June 2017. The Company's performance is expected to improve significantly thereafter. Ultimately, we are committed towards maintaining our business strategy of prudent cost management, coupled with proactive investments for the future.

With alcohol being a state-controlled subject, the industry faces challenges in procuring numerous licenses and label approvals, varied excise regulations etc; this adds complexity, makes time lines uncertain, restricts products from being distributed freely nationally and inter-state taxes limit economies of scale. All this makes the business environment not just difficult, but also unpredictable.

Corporate Governance

As a responsible corporate citizen, we believe that transparency is an important value across our organization, including activities related to corporate social responsibility, which is our way of doing business.

A changing culture

As an organization that is fighting fit to deliver for today, our human capital is dynamically evolving to take on future opportunities. During the year, we continued to evolve our organizational design and structure, upgrading talent and building capabilities, while providing people with job rotation and growth opportunities. We also unveiled policy changes aimed at bringing about a shift in the cultural mindset, more openness and transparency in the organization, with more clarity and accountability for performance that is enabling the evolution of an organization that aims to become a better place to work.

Creating shared value /Corporate Social Responsibility

We believe that in order for us to create long-term value for our shareholders, it is imperative that we create value for the communities in which we operate. The Company focuses on two pillars which have the greatest potential for joint value creation with society: Water & Environment and Rural Development. As fundamental areas which are core to our business strategy and operations, these pillars are also part of our sustainability commitments which we aim to uphold and protect for generations to come.

As part of our dedication to environmental sustainability, the Company made the commitment to set up 6.4 Megawatt steam Turbine and power distribution system to support 100% captive power requirement. This will be operational during the year 2017.

The Company has developed 2.5 KM of road and provided Florine free drinking water to Allur village. The Company has also completed desilting of lakes in nearby villages to enhance water storage capacity of reservoirs. The Company is also supporting schools to implement digital class rooms to improve the quality of education.

Appreciation

The Board would like to extend its deepest appreciation to the management team for their dedication and commitment in driving the Company forward. Our sincere thanks also goes to all employees for playing an important role in ensuring that the Company continues to be leading Distillery in Maharashtra. We would also like to express our gratitude to partners and customers for their support to our Company.

I thank you for your continued faith and support.

B V Krishna Reddy
Managing Director

Pioneer Distilleries Limited

Corporate Identity Number: L24116AP1992PLC055108

Reg. Office: UB House, Plot No.36, Street No.4, Srinagar Colony, Hyderabad 500 073

Tel: +91 40 6674 7388; Fax: +91 40 6674 7386

Web: www.pioneerdistilleries.com Email: info@pioneerdistilleries.com

Notice

Notice is hereby given of the twenty third Annual General Meeting (“AGM”) of Pioneer Distilleries Limited (the “**Company**”) to be held at Hotel Green Park, Greenlands, Begumpet, Hyderabad 500 016 on Monday, September 26, 2016 at 12.00 Noon for the following purposes:

Ordinary Business:

1. To receive, consider and adopt the Audited Statement of Profit and Loss for the financial year ended March 31, 2016, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon;
2. To appoint a Director in place of **Ms. Mamta Sundara (DIN: 05356182)**, who retires by rotation and being eligible, offers herself for re-appointment;
3. To re-appoint Statutory Auditors and to fix their remuneration.

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules made thereunder, and pursuant to the recommendation of the Audit Committee of the Board of Directors, M/s. Lodha & Co, Chartered Accountants (Firm Registration Number: 301051E), be and are hereby re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this AGM till the conclusion of the twenty eighth AGM, subject to ratification of the appointment by the members at every AGM held after this AGM and that the Board of Directors be and are hereby authorized to fix such remuneration as may be recommended by the Audit Committee in consultation with the Auditors.

Special Business:

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

4. As an Ordinary Resolution:

Appointment of Ms. Junia Sebastian as an Independent Director:

RESOLVED that pursuant to the provisions of Sections 149, 150 (2), 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the

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Companies Act, 2013, Ms. Junia Sebastian (DIN: 06971903), Director of the Company and in respect of whom the Company has received a notice in writing from a member proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for five years from April 20, 2016 to April 19, 2021, who shall not be liable to retire by rotation.

5. As an Ordinary Resolution:

Approval of agreements for tie-up manufacture of Indian Made Foreign Liquor products and licensing of trade marks therefor, to be entered, between the Company and United Spirits Limited, which is a material related party transaction:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the agreements for tie-up manufacture of Indian Made Foreign Liquor ("IMFL") products and licensing of trade marks therefor, to be entered into by the Company with United Spirits Limited for an amount of up to Rs.130 crores per annum (plus applicable taxes and levies) for the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019 as explained in the explanatory statement, be and are hereby approved.

Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

6. As an Ordinary Resolution:

Approval of arrangements for the sale of Extra Neutral Alcohol by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company and subject to the provisions of the Memorandum and Articles of Association of the Company, approval of the shareholders be and is hereby accorded to the Company for entering into arrangements for the sale of Extra Neutral Alcohol by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019 for an amount of up to Rs.120 crores per annum (plus applicable taxes and levies), as explained in the explanatory statement.

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Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

7. Approval of arrangements for the sale of Malt Spirit by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company and subject to the provisions of the Memorandum and Articles of Association of the Company, approval of the shareholders be and is hereby accorded to the Company entering into arrangements for the sale of Malt Spirit by the Company to United Spirits Limited from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019 for an amount of up to Rs.35 crores per annum (plus applicable taxes and levies), as explained in the explanatory statement.

Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

8. As an Ordinary Resolution:

Approval of arrangements for recharge of salary by the Company to United Spirits Limited for the financial year 2016-17, 2017-18 and 2018-19:

RESOLVED that pursuant to the recommendation by the Audit Committee and the Board of Directors of the Company and in compliance with and subject to the applicable provisions of the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and subject to such other approvals, permissions and sanctions as may be necessary and such conditions or modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company and subject to the provisions of the Memorandum

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and Articles of Association of the Company, approval of the shareholders be and is hereby accorded to the Company entering into arrangements for Recharge of salary of executives of United Spirits Limited, holding company of the Company, deployed at the Corporate Office of the Company, for an amount of up to Rs.60 Lakhs p.a. (plus applicable taxes) from time to time during the financial years ending March 31, 2017, March 31, 2018 and March 31, 2019.

Further RESOLVED that the Board is hereby authorised to do, perform or cause to be done all such acts, deeds, matters and things as may be necessary or desirable, and to do all other acts and things as may be incidental, necessary or desirable to give effect to the above resolution.

Further RESOLVED that the Board is hereby authorised to delegate all or any of its powers conferred by the above resolutions to any director or directors or any other officer or officers of the Company to give effect to the aforesaid resolutions.

By Order of the Board

Bangalore
August 25, 2016

SANTHOSH KUMAR KEERTHI
Company Secretary

NOTES:

Please refer to the explanatory statement given hereunder.

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON HIS/HER BEHALF ONLY ON A POLL AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Pursuant to the provisions of Section 105 of the Companies Act, 2013 and rules made thereunder, a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Members holding more than ten percent of the total share capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.

The proxy form duly completed must reach the Registered Office of the Company not later than forty-eight hours before the time appointed for holding of the AGM.

2. The Transfer Books and Register of Members will remain closed from September 19, 2016 to September 26, 2016 (both days inclusive).
3. Members are requested to intimate immediately to the Company's Registrars and Transfer Agents, M/s. Venture Capital and Corporate Investments Private Limited, Regd. Office: 12-10-167, Bharat Nagar, Hyderabad 500 018, in case of physical form and to their respective Depository Participants, in case of shares held in dematerialized/electronic form:
 - a. any change in their registered addresses along with PIN Code Number;

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- b. 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; and
 - c. details about their bank account number, name of the bank, bank's branch name and address to enable the Company to draw dividend warrant payable accordingly.
4. Members holding shares 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, at the address as stated in Note No.3 above.
5. 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, at the address as stated in Note No.3 above.
6. Nomination facility for shares is available for Members. The prescribed format in this regard can be obtained from the Company's Registrars and Transfer Agents, at the address as stated in Note No.3 above.
7. The Company's equity shares are under compulsory dematerialisation. Accordingly, trading of these shares through the Stock Exchanges would be facilitated if the share certificates are dematerialised. Members having the physical share certificates are advised to consider opening of a Demat Account with an authorised Depository Participant and arrange for dematerialising their shareholdings in the Company.
8. In terms of Section 205A and 205C of the Companies Act, 1956, the amount of dividend declared for the financial year 2008-09 and thereafter remaining unclaimed for a period of seven years from the due date of payment shall hereafter be transferred to the Investor Education and Protection Fund on the respective due dates.
9. Members may kindly note that once the Unclaimed/Unpaid Dividend is transferred to the Fund, no claim shall lie against the Fund or the Company in respect of the individual amounts which were Unclaimed and Unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claim.
10. Members attending the AGM are requested to bring with them the following:
 - a. Members holding shares in dematerialized form, their DP & Client ID Numbers.
 - b. Members holding shares in physical form, their Folio Numbers.
 - c. Copy of the Annual Report and Notice, as no copies thereof would be distributed at the AGM.
 - d. The Attendance Slip duly completed and signed in terms of specimen signature lodged with the Company.

The Company would accept only the Attendance Slip from a member actually attending the AGM; or from the person attending as a proxy under a valid proxy form registered with the Company not less than 48 hours prior to the AGM. Attendance Slips of Members/valid proxies not personally present

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at the AGM, or relating to Proxies which are invalid, will not be accepted from any other member/person.

The AGM is for members or their proxies only. Please avoid being accompanied by non-members/children.

11. The Company has designated an exclusive email id viz., pdlinvestor@unitedspirits.in to enable the investors to post their grievances and monitor its redressal.
12. Corporate members are required to send to the Company a certified copy of the Board Resolution pursuant to Section 113 of the Companies Act, 2013, authorizing their representative to attend and vote at the AGM.
13. In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is pleased to provide to Members with a facility to exercise their right to vote at the AGM by electronic means and the business may be transacted through electronic voting ("e-voting") services provided by National Securities Depository Limited ("NSDL"):
14. The instructions for e-voting are as under:
 - (i) In case of shareholders receiving an email from NSDL:
 - (a) Open e-mail and open PDF file titled "PDL E-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password for e-voting. Please note that the password is an initial password.
 - (b) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>.
 - (c) Click on "Shareholder" – "Login".
 - (d) Type your user ID and initial password as mentioned in Step (a) above.
 - (e) Click Login.
 - (f) Password change menu appears, change the password with the new password of your choice with minimum of 8 digits / characters or a combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (g) Home page of "e-Voting" opens. Click on "e-Voting": Active Voting Cycles.
 - (h) Select "EVEN" of Pioneer Distilleries Limited.
 - (i) Now you are ready for "e-Voting" as "Cast Vote" page opens.
 - (j) Cast your vote by selecting the appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (k) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.,) are required to send scanned copy (PDF/JPG format) of the relevant board resolution / authority letter etc. together with an attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the scrutinizer by an e-mail to pdlscrutinizer@gmail.com with a copy marked to evoting@nsdl.co.in.
 - (ii) In the case of shareholders other than those referred to in paragraph 14 (i) above, your initial

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password is provided at the bottom of the Attendance slip for the AGM. Please follow all steps from paragraph (b) to (k) above to cast your vote;

- (iii) If you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote; and
- 15. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com.
- 16. The e-voting period commences on September 23, 2016 (10:00 a.m.) and ends on September 25, 2016 (5:00 p.m.). During this period Members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of September 19, 2016, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter.
- 17. The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (record date) of September 19, 2016.
- 18. Mr. Depuru Raghavendar Rao, Company Secretary in Practice (CP - 13407; Address: Flat No.113, Block B, Sri Datta Sai Commercial Complex, Opp: Sathagiri Theatre, RTC 'X' Roads, Hyderabad 500 020) has been appointed as the Scrutinizer to scrutinize the e-voting process.
- 19. The Scrutinizer shall, not later than 48 hours after the conclusion of the AGM, unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairperson/any other Director(s)/a person authorized by Chairperson of the Company.
- 20. The Results shall be declared on or after the AGM of the Company. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website - www.pioneerdistilleries.com and on the website of NSDL within forty eight (48) hours of passing of the resolutions at the AGM of the Company and communicated to the Stock Exchanges.
- 21. Documents referred to in this Notice and the accompanying Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 a.m. to 5.00 p.m.) on all working days except Saturdays, up to and including the date of the AGM of the Company.

STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No.4: Appointment of Ms. Junia Sebastian as an Independent Director:

In compliance with the provisions of Regulation 17 of the SEBI Listing Regulations, the Board of Directors of the Company had appointed Ms. Junia Sebastian (DIN: 06971903), as an additional director of the Company in the capacity of Independent Director on April 20, 2016 not liable to retire by rotation.

In accordance with the provisions of Section 161 of Companies Act, 2013, Ms. Junia Sebastian shall hold office up to the date of this AGM and is eligible to be appointed as an Independent Director for a term up to five years. The Company has received notice under Section 160 of the Companies Act, 2013 from a member signifying its intention to propose her appointment for a period of five years.

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Ms. Junia Sebastian part of ALMT's corporate-commercial team. She was admitted to the Bar in 2001 after receiving BA and BL degree from Dr. Ambedkar Government Law College in Chennai. She had completed her Masters' in International Law and Constitutional Law from University of Madras in 2003. Prior to joining ALMT Legal in August 2004, she was working with another reputed law firm, Dr. Kainth & Associates in Chennai and Bangalore.

Ms. Junia has advised and assisted a number of clients in establishing their presence in India and overseas jurisdictions through incorporations of companies and/or setting up of branch/liaison offices. She has also been involved in filing of applications for approvals and reporting with the Foreign Investment Promotion Board and Reserve Bank of India. She has also advised a number of Indian & foreign companies in matters relating to issue of securities including Initial Public Offerings, Rights Issues, Qualified Institutional Placements. Her Capital Markets experience includes acting for the listing company or investment banks in Initial Public Offerings of Indian companies on Indian stock exchanges and their foreign holding entities on the Alternative Investment Market. She has extensively worked on various employment law matters including those arising as a consequence of business transfers, integration of acquired businesses and internal compliance audits. In this regard, she has drafted and advised on employment related documentation including ESOPs (Employee Stock Ownership Plan), Employee Policies and Code of Conduct, Employee Contracts for senior managers and service agreements.

Ms. Junia also regularly advises clients on Corporate Commercial transactions and matters of Company Law. She has substantial experience in the area of commercial law and contracts, which includes reviewing and drafting broad range of commercial contracts including joint venture agreements, teaming agreements, service agreements, technology and trade mark agreements, supply and distribution contracts and marketing contracts. Her experience in the Information Technology (IT) sector involves drafting and reviewing agreements including software vendor contracts, software license agreements, service level agreements, confidentiality agreements, consultancy agreements, technology licensing agreements, web disclaimer, terms and conditions of use of website, privacy policy. In addition to her responsibilities as partner at ALMT Legal, she has been instrumental in creating anti-sexual harassment policies for various companies and has been part of the internal compliance committees of such companies.

Ms. Junia Sebastian, is independent of the management and has submitted declaration that she meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013. In the opinion of the Board, Ms. Junia Sebastian fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for her appointment as an Independent Director of the Company and she has considerable experience and knowledge in her respective field to enable the Board to discharge her functions and duties efficiently.

A formal letter of her appointment as an Independent Director setting out the terms and conditions is available on the Company's website www.pioneerdistilleries.com and would also be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on working days except Saturdays, up to the date of the AGM.

No director, key managerial personnel or their respective relatives, except Ms. Junia Sebastian, to whom the resolution relates, is interested or concerned, financially or otherwise, in the resolution.

Ms. Junia Sebastian does not hold by herself or for any other person on a beneficial basis, any shares in the Company.

Your Directors recommend the above resolution for your approval.

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Item Nos.5 to 8: Approval of certain related party transactions:

A: General Comment

Requirement of approval of material related party transactions

In terms of Regulation 23(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations), any material related party transaction requires the approval of the shareholders of the Company by way of an ordinary resolution.

An entity will be a “related party” of a Company in terms of the SEBI Listing Regulations, if it falls within the definition of “related party” either under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards. Since USL is the holding company of the Company, it is a “related party” of the Company as per Section 2(76)(viii)(A) of the Companies Act, 2013.

Further, a transaction with a related party shall be considered “material” if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of a Company as per the last audited financial statements of the Company. The aggregate value of the agreements and/or arrangements in Item Nos.5 to 8 in the financial year ending March 31, 2017 may exceed 10% of the estimated annual consolidated turnover of the Company in the previous financial year. Therefore, approval of the shareholders by way of an ordinary resolution in respect of such agreements and/or arrangements is being sought. For the sake of clarity, all the agreements and/or arrangements in Item Nos.5 to 8 are in the ordinary course of the Company’s business and at arm’s length basis. The related party transactions mentioned in Item Nos.5 to 8 have been certified by a Chartered Account firm and at arm’s length basis and are in the ordinary course of business.

In accordance with Regulation 23(4) of the SEBI Listing Regulations, all entities falling under the definition of related parties are required to abstain from voting irrespective of whether the entity is a party to the particular transaction or not. Accordingly, all shareholders of the Company who are related parties of the Company, including United Spirits Limited (holding 75% of the issued share capital of the Company), are required to abstain from voting on the resolutions in Item Nos.5 to 8 of this Notice.

On August 05, 2016, the Audit Committee unanimously approved the agreements and/or arrangements in Item Nos.5 to 8, subject to the approval of the Board and the Company’s shareholders. The Audit Committee has independently assessed the above agreements and/or arrangements (taking into account the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company), and has thereafter accorded its approval.

Thereafter, the Board has independently assessed the agreements and/or arrangements in Item Nos.5 to 8 (taking into account the potential financial and commercial benefits that are likely to accrue to the Company and its shareholders as estimated by the management of the Company), and has, on August 05, 2016, subject to the approval of the shareholders, approved the agreements and/or arrangements in Item Nos.5 to 8.

The arrangements are to be entered into at arm’s length basis and all other factors relevant to the Arrangements have been independently considered by the Board.