



High Flyers



UNITED
BREWERIES
LIMITED

Annual Report 2003-2004

Leaders in quality products

A product for every choice....

Despite the dominance of Kingfisher in the Indian beer market, UB has a number of choices to offer to the consumer, catering to a wide variety of tastes and palates.

And at the customers' convenience....

UB has near 100% penetration in distribution across the country, making purchase of a UB brand of beer easy and convenient to the consumer.



High Fliers



Its easy to read a report by its cover.

High Fliers – an appropriate description of the products, brands, and people comprising the Good Times company.

Kingfisher—the undisputed King of Good Times in India – is far and away the leading brand of beer in the country, while building up an ever-growing base of customers in over 50 countries around the world.

In India, every third beer consumed is a Kingfisher.

Preferred by connoisseurs everywhere as evidenced by various international awards for quality and taste.

C O N T E N T S

Report of the Directors	1
Report on Corporate Governance	8
Auditors' Report	17
Balance Sheet	20
Profit and Loss Account	21
Cash Flow Statement	22
Schedules	23
Significant Accounting Policies	29
Notes on Accounts	30
Balance Sheet Abstract	38
Consolidated Financial Statements	39



Dr. Vijay Mallya
Chairman



Subhash R. Gupte
Executive Vice Chairman
The UB Group



Kalyan Ganguly
Managing Director



Vijay K. Rekhi
Director



Ravi Nedungadi
President & CFO
The UB Group



Atul Munim
Director



C. L. Jain
Director



Dr. Neville Bain
Director



P. A. Murali
Executive Vice President-Finance
& Accounts



Shekhar Ramamurthy
Executive Vice President-
Sales & Marketing



N. K. Mittal
Executive Vice President -
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J. Noronha
Senior Vice President-HRD



Govind Iyengar
Company Secretary

It's Flying

The Kingfisher is flying !

"Its flying" and the mood is upbeat – both within the company, and among consumers.

Launched across the country, the "Kingfisher is Flying" campaign was one of the most prominent and noticed in the country. Vibrant colours of the flying Kingfisher filled television screens, skylines, airwaves and print media.

The new look designed by the UK based packaging specialists, Claessens, is representative of the brand in full flight, in a supportive environment. It reflects the energy, youthfulness and freedom that are characteristic of the brand's target consumer and reiterates its contemporary positioning.



Dr. Vijay Malhotra, Atul Kishorekar and Yana Gupta are all cheering as they celebrate the win of the Kingfisher Swimsuit Special Calendar, which got the International IAB (Food and Beverages) Award for Best Photography.



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Kingfisher Calendar & Fashion Awards

Showcasing both the brand and the intense association with fashion, is the award winning Kingfisher Swimsuit Special Calendar. Shot on the lush beaches of Thailand, by India's leading lensman, the calendar has won international acclaim among both connoisseurs and critics. The calendar was awarded the prestigious Food and Beverage Award for Best Photography in London recently.

Introduced in 2003, the current year's version features the country's leading models draped by India's top designers .

Kingfisher Strong crosses the 10 million cases mark

Kingfisher Strong records the distinction of becoming India's fastest growing brand of beer with sales crossing the ten million cases mark, just five years since initial introduction.

Against an industry growth of 3%, Kingfisher Strong registered a phenomenal growth of 29%.

Overall, an outstanding performance in just five short years...

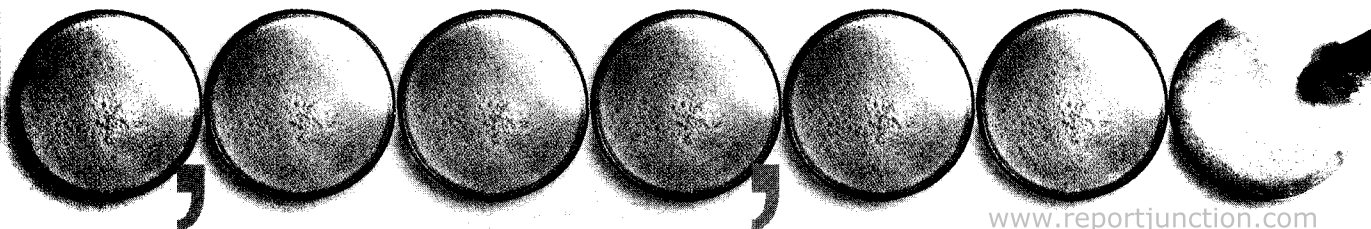


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Flight on Road – Mumbai Marathon

A little bit of history came to life in Mumbai on Feb 15, 2004 – that day, over 20,000 people participated in the Mumbai Marathon whose principal sponsor was the King of Good Times. There were three stages of the event – the 7 km Dream Run, the 22 km Half Marathon and the 42 km Full Marathon.

Kingfisher Packaged Drinking Water was the official sponsor, and over 65,000 litres of water were consumed that day at the official Kingfisher water stalls that lined the entire 42 km route.



Innovation in packaging



pub@home



Good times get better with the new 5L Cool Keg from Kingfisher.

Innovation has long been the hall mark of UB's approach to the market, the company is constantly looking for new choices to offer the consumer.

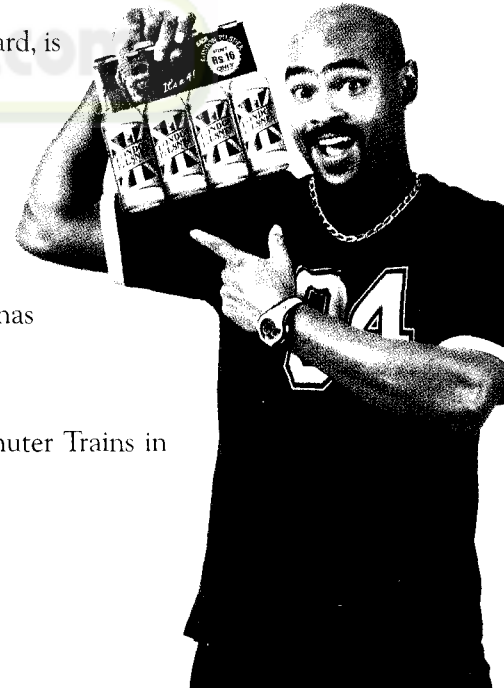
For the inveterate party animal, UB has the answer with the 5 ltr keg of Kingfisher draught beer, which combines versatility with economy.

UB pioneered the value pint pack a year ago at an attractive put down price and a refundable deposit against the bottle. This has been an outstanding success in all the markets where it has been introduced, and is slowly gathering 'me too' products from other players with similar offerings. However, UB Export Lager and London Pilsner are the front runners in this

new segment. Taking the concept one step forward, is the "FOUR PACK" from London Pilsner.

And that is not all. The old favourite is back in an attractive new pack launched in its traditional markets of Bombay and Maharashtra. The value pack of 250ml at Rs 16 promoted by popular icon Vinod Kambli has proved to be a major hit with the consuming public.

Other innovative promotions include branding of Commuter Trains in Bombay, and SMS based communication.





Dear Shareholders,

We meet today in an environment of economic confidence despite the changes in Government arising from the recent general elections and concerns about the impact of higher oil prices which is fuelling inflation with potential impact on interest rates.

To my mind what differentiates the present situation is the attitudinal change that is very visible as we look around. Suddenly consumption, creation of wealth and entrepreneurial qualities have come out of the closet. The Indian 'consumer' has finally arrived and is demanding a choice of products and services, which cater to his needs. Across all industries, producers and service providers are springing up to cater to every such want.

In this battleground where the customer's choice is the final arbiter of a product's destiny, importance of branding cannot be overstated. By branding, I mean to include all facets and characteristics that differentiate a product, inculcate a sense of confidence in the mind of the consumer and the ability of the product to remain contemporaneous so as to meet the evolving needs of successive generations.

Our flagship brand, Kingfisher, stands tall in the list of well recognized consumer brands not merely in India but also in the over 50 countries where Kingfisher is enthusiastically purchased and consumed. At United Breweries we have mastered the art of retaining our core traditions and values, while constantly reinventing offerings so as to stay current with the mindsets and aspirations of today's consumers. The iconic change of the Kingfisher in flight is truly representative of this ability and reflects the 21st century aspirations of the brand. At a time when low unit price is a key stimulant to a wide variety of consumer products, United Breweries is pioneering a concept of a pint offering at prices ranging from as low as Rs 16 per bottle. This has opened up new opportunities and broadened the market base. Seeing the runaway success of the pint pack offering, manufacturers have also tried to replicate the same in a "me too" strategy. The 'pub at home' offering of a 5 ltr cask of draught beer has been gleefully received by the social circuit, as it offers the host the opportunity to serve



Chairman's Statement

the much sought after draught beer at home. These are just some of the examples of innovation, which lie at the heart of everything we do at United Breweries.

As you are aware, a substantial consolidation has taken place in the industry with the acquisition of majority shares and management control of Shaw Wallace's brewing operations by SAB Miller Plc. – one of the world's leading brewers. Concurrently, at United Breweries, we have been working in close cooperation with Scottish & Newcastle Plc. and McDowell Alcobev Pvt. Ltd, the joint venture company in which United Breweries and Scottish & Newcastle Plc. have equal ownership.

The big national brands of these two combines hold sway over the market place with Kingfisher as the undisputed leader – every 3rd beer consumed in the country continues to be a Kingfisher. The role of small independent brewers is limited and catered at best to highly restricted local markets. The international brands introduced in India have also not received a sustainable positive response from the consumers who choose to stay with their traditional favorites. Your Company is taking every step conceivable to extend its franchise.

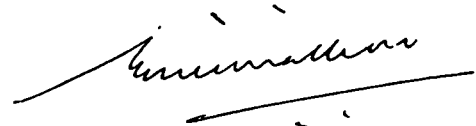
The key constraints facing the industry remain the same – over taxation and irrational regulation, which have plagued the Beverage Alcohol industry for decades. Strenuous and continuous efforts by the industry, to educate Governments on the need to evolve a rational policy framework, have so far met with very limited success. Consequently, in a market which is already under served with a per capita consumption of just over half a liter per annum, growth continues to be sluggish. Indeed, the overall market for mild beer is static or shrinking while the strong beer segment registered a low single digit growth. Your company has, despite these odds, been able to notch a growth of 9% led by Kingfisher Strong, the sales of which have crossed a landmark of 10 million cases in just 5 years from launch. During the current year the woes of the industry were further accentuated by the emergence of a monopoly in the glass bottle industry, which has led to shortages and unprecedented cost-push. Seeing this situation, opportunistic middlemen have also cornered the recycled bottles. The industry as a whole and United Breweries, in particular, have initiated a number of steps

to break the stranglehold, and softening of bottle prices is now being felt in the current quarter. United Breweries was also helped in this process by its common negotiating position with the Spirits Division, which itself is one of the largest consumers of glass bottles in the country.

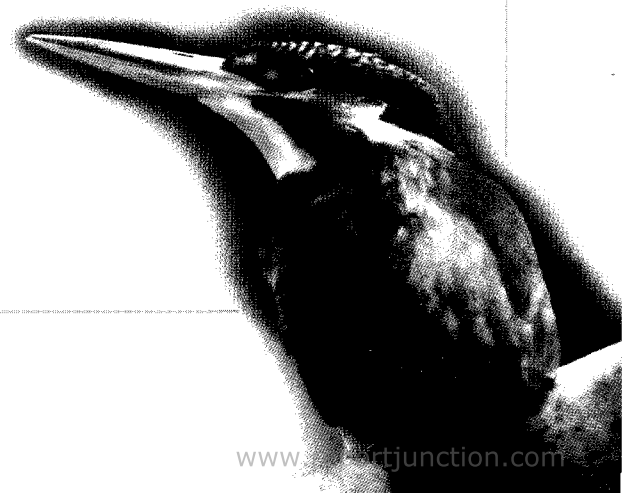
Despite these challenges, I am confident that the unique association of Kingfisher with lifestyle and aspiration in the minds of young Indians will help deliver consistent growths and profitability in the face of all other adversities. The demographics of the country augurs well for the industry and your Company would expect to garner a dominant share of future growth based on its decades old record of delivering the good times – whatever the good times may represent in each successive period.

People are, of course, the cornerstone of the organization and people in United Breweries are strongly committed to the same values. It is these efforts that will keep us always ahead.

I must also place on record my sincere thanks to our Vendors, Customers and the Financial Community and particularly to you, dear Shareholders, for the consistent support that your Company has received.

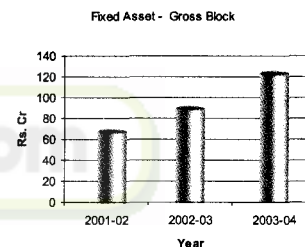
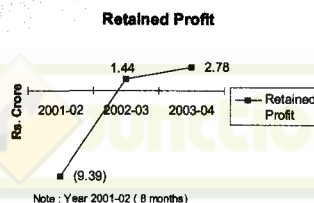
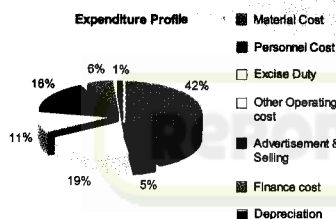
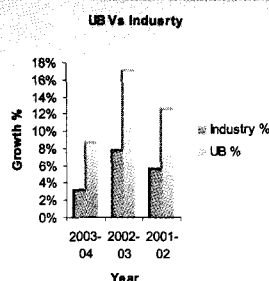
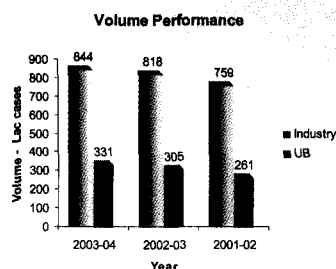


Dr. Vijay Mallya
Chairman



High Flyers

Highlights



Associate Brands

Sandpiper in the Lager Beer segment and Zingaro in the Strong Beer segment are key introductions of McDowell Alcobev Pvt Ltd, the joint venture company in which United Breweries Ltd and Scottish & Newcastle of UK are equal shareholders.

These brands are aimed as alternatives to the big national brands from the UB stable and are carefully positioned to create their own niches such as "The light hearted strong beer".

