

ANNUAL REPORT 2008 - 2009



Making a splash



UNITED BREWERIES LIMITED

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN of the Tenth Annual General Meeting of the Members of **UNITED BREWERIES LIMITED** to be held at GOOD SHEPHERD AUDITORIUM, OPP. ST. JOSEPH'S PRE-UNIVERSITY COLLEGE, RESIDENCY ROAD, BANGALORE - 560 025, on Thursday, September 10, 2009 at 11.00 a.m. for the following purposes:

1. To receive and consider the Accounts for the year ended March 31, 2009, and the Reports of the Auditors and Directors thereon.
2. To declare final Dividend.
3. To appoint a Director in place of Mr. John Hunt, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. John Nicolson, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

RESOLVED THAT pursuant to the provisions of Section 314 (1B) of the Companies Act, 1956 and subject to the approval of the Central Government, consent of the Company be and is hereby accorded to Mr. Umesh Hingorani, a relative of Dr. Vijay Mallya, Chairman of the Company, to hold an office or place of profit as Divisional Vice President – Business Development for a period of 5 years with effect from October 1, 2009 upon receipt of necessary approvals, on the following terms:

- | | |
|---|--|
| (a) Basic Salary / Scale | : Rs.123000/- per month
(Promotions and scale of increments beyond the present salary of Rs.123000/- shall be as per the rules of the Company and based on performance)
Scale: Rs.123000 – 5000 – 148000 – 7500 – 178000/- |
| (b) House Rent Allowance | : 50% of basic salary per month |
| (c) Special Allowance | : Rs.26,000/- per month |
| (d) Flexible Compensation Package – I | : Rs.17,500/- per month (Comprising of LTA, Soft Furnishing Allowance, Interest Subsidy and cost of Mobile Instrument) |
| (e) Flexible Compensation Package – II | : Rs.37,725/- per month (Comprising of Car lease rental value, Fuel, Lunch vouchers, House repairs/maintenance and painting) |
| (f) Flexible Compensation Package – III | : Rs.9,000/- per month (Comprising of Driver's Salary) |
| (g) Reimbursement of Medical Expenses | : At actuals |
| (h) Reimbursement of Utility Expenses | : At actuals |
| (i) Performance Evaluation Payment | : Up to a maximum of 30% on basic salary based on performance |
| (j) Company Assets | : Will be entitled to purchase Home Appliances/Personal Computer as per Company Policy up to a Maximum of Rs.1,50,000/- |

**Notice (contd.)**

- (k) Club Membership : Rs.25,000/- maximum (for one Club)
- (l) Telephone Expenses : At actuals
- (m) Gratuity, Provident Fund and Superannuation Fund : As per Company's rules
- (n) Group Personal Accident Insurance : Rs.20,00,000/-

Perquisites mentioned above are/shall be as per rules of the Company from time to time based on grade entitlements.

Registered Office:

"UB TOWER", UB CITY,
No. 24, Vittal Mallya Road,
BANGALORE - 560 001.

New Delhi, July 23, 2009

By Order of the Board

Govind Iyengar

Divisional Vice President – Legal &
Company Secretary

NOTES:

1. **A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a Member of the Company. The proxy(ies), in order to be effective, must be received by the Company not less than 48 hours before the Meeting.**
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 forms part of this Notice.
3. The Register of Members and the Share Transfer Books of the Company will remain closed on **Wednesday, September 09, 2009 and Thursday, September 10, 2009.**
4. Members are requested to intimate to the Company's Registrars and Share Transfer Agents viz., **ALPHA SYSTEMS PRIVATE LIMITED**, 30, RAMANA RESIDENCY, 4TH CROSS, SAMPIGE ROAD, MALLESWARAM, BANGALORE - 560 003:
 - a. any change in their addresses, and
 - b. the Nomination facility to be availed by them.
5. Members holding Shares in the same name or in the same order of names under different Ledger Folio Numbers are requested to apply for consolidation of such Folios to the Company's Registrars and Share Transfer Agents, viz., Alpha Systems Private Limited.
6. Members are requested to:
 - bring their copy of **Annual Report** to the Meeting,
 - bring the **Attendance Slip sent herewith, duly filled in**,
 - bring their **Folio Number / DP and Client ID**, and
 - **avoid being accompanied by non-Members and children.**
7. In view of the numerous advantages offered by the Depository System, Members are requested to avail of the facility of dematerialization of their shareholding in the Company.
8. Profile of Directors retiring by rotation forms part of Corporate Governance Report. Their details are also attached to this Notice for perusal of the Members.
9. **MEMBERS PLEASE NOTE THAT NO GIFTS SHALL BE DISTRIBUTED AT THE MEETING.**

Notice (contd.)

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 6:

Mr. Umesh Hingorani, Divisional Vice President – Business Development has been associated with the Company for over sixteen years now. Mr. Hingorani has pioneered and is instrumental to the development and growth of Packaged Drinking Water business of the Company.

There has been considerable synergy in his leading this segment of business and his effective contribution has fostered the growth of the brand licensing arrangement for Packaged Drinking Water segment of your Company's business.

Mr. Umesh Hingorani being a relative of Dr. Vijay Mallya, Chairman of the Company, approval of the Shareholders is sought for his re-appointment as aforesaid. Approval of the Central Government will be sought thereafter. The earlier appointment of Mr. Umesh Hingorani for a period effective 01.10.2004 to 30.09.2009 was approved by the Central Government vide its letter dated 18.05.2005.

None of the Directors of your Company except Dr. Vijay Mallya who is a relative of Mr. Umesh Hingorani is concerned or interested in this Resolution.

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By Order of the Board

Govind Iyengar

Divisional Vice President – Legal &
 Company Secretary

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

PARTICULARS	DIRECTORS SEEKING RE-APPOINTMENT	
	MR. JOHN HUNT	MR. JOHN NICOLSON
Qualification	M.A.(Hons.) in Mech. Engineering and a Post-Graduate in Production Engineering, A.C.A. (ICAEW)	B.A. (Economics) and Marketing from University of Strathclyde, Glasgow
Expertise in specific functional area	Corporate Development and Overall Business Management	Corporate Development and overall Business Management
Date of Appointment	29.04.2005	20.07.2007
Date of Birth	15.04.1963	17.07.1953
Directorships held in other Companies in India	1. Millennium Alcobev Private Limited 2. Scottish & Newcastle (India) Private Limited	1. Millennium Alcobev Private Limited
Memberships in Committees	Audit Committee Millennium Alcobev Private Limited	Audit Committee Millennium Alcobev Private Limited

The above details do not include Committee Memberships not prescribed for the purpose of reckoning of limits in terms of Clause 49 of the Listing Agreement. Brief Profile of the above Directors also forms part of Corporate Governance Report. None of the above Directors hold any shares in the Company.



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Annual Report 2011-12

Chairman's Statement

Dear Friends,

The financial year, 2008-09 has been a period of excellent results and profitability for our company. We recorded several impressive milestones during the year, notable among them being

- *Volume growth of 12% against a market growth of about 6%*
- *Consequent expansion of market share by 200 bp to 51%.*
- *Relative revenues were up by over 17% and*
- *The resultant EBITDA margin improved by almost 200 bp.*

India is a young country and over half of our billion strong population is below the legal drinking age. We are currently in the open window of a demographic dividend, and over a relatively short period of five years that began recently, it is expected that nearly 100 million (i.e. 10 crore) youngsters will reach legal drinking age. This obviously provides a major expansion of our addressable market size. Market research studies conducted across the country indicate that a majority of first time consumers prefer to start with beer as their beverage of choice.

It has also been seen that attitudes towards the consumption of beverage alcohol has also undergone a considerable shift in recent decades. Young people all over India, both urban and rural, associate beer as a lifestyle statement and are very conscious of the need for responsible consumption in the company of friends.

Our company's investments over nearly fifty years in giving life to a colourful, energetic, and aspirational imagery to Kingfisher means that our flagship brand is associated with success and fun in the minds of consumers. As India's economy stands out in sharp contrast to the most of the world which is reeling under the impact of a global meltdown, the Indian consumer is able to proudly hold up his choice of a global Indian brand in the form of Kingfisher. He can bask in the success of an iconic Indian product as a reflection of his own success in the world.

We continue to emphasise the product and brand promise through continuous investments in quality, imagery and packaging. The emphatic success of Kingfisher Strong which grew by over 23% during the year to be the dominant leader in this fast growing segment is testimony to our success. The year also saw the hugely successful launch of Kingfisher Blue, a beer with a difference, and targeted directly at the numerous international brands that have recently been launched by the many international brewers who have set up shop in the country over the last few years. In every market that Kingfisher Blue was launched, the brand has quickly seized leadership in the target segment. More super premium offerings are on the cards.

The launch of the Kingfisher Bohemia range of wines has been a resounding success and is very popular with consumers despite regressive taxation measures that have raised end consumer prices in major markets like Karnataka and Maharashtra. Our company will continue to invest in this area for the future.



Chairman's Statement (contd.)

Given the promise of a rapidly growing market, it is only natural that all the major international brewing companies have sought to enter India. To the credit of United Breweries, our brands have more than held their own in the face of the competition. The year gone by has seen our company grow at almost twice the rate of the market and in the process, gained a 2% increase in market share to over 50%.

We would have performed even better than this already stellar performance, were it not for the continuing difficulties that the industry faces with state governments that over tax and over regulate the industry. Incessant efforts to seek a transparent pricing formula that moves with the government's own published inflation data or any other formula has not met with success in major markets like Andhra Pradesh and Tamil Nadu. Consequently, the company as well as a major competitor decided to suspend supplies to the state of Andhra Pradesh in the summer and has also sought relief from the Hon High Court. The matter is pending disposition by the court.

Given the strong growth anticipated in the industry for several years to come, the company has embarked on a phased plan of capacity enhancement through both expansions at existing breweries as well as Greenfield projects particularly in the large markets of Karnataka and Andhra Pradesh. These projects envisage scalable facilities which can continue to grow with the pace of the market and serve our company's needs for several years. The capital expenditure is financed partly by the proceeds of the Rights Issue of Equity Shares that we successfully carried out the previous year and by borrowed funds.

The company's balance sheet is strong and debt is carefully calibrated so as to remain within prudent norms at all times. Each of the expansion projects have a short pay back period and the incremental cash flows from the enhanced capacities are sufficient to not only service but also to repay the loans taken for the purpose.

Friends, we have every reason to be optimistic about the future of our company provided only that the regulatory environment does not turn unexpectedly vicious. With a young and upwardly mobile demographic, I am confident that governments cannot continue with the present stance of impeding growth on the one hand, while trying to squeeze ever increasing revenues from the industry.

In closing, I would like to place on record my appreciation for the efforts of all our managers, staff and workers without whose diligent efforts, we would not have been able to achieve our outstanding results. Our board has consistently guided us with wisdom. Particular thanks are due to our suppliers and customers, both of whom have consistently backed our efforts. Our bankers have provided us with funding when needed at competitive rates. Last, but in no way, the least, a heartfelt thank you to all of you, my dear fellow share holders.

Cheers.

VIJAY MALLIA
CHAIRMAN

Report of the Directors

Your Directors have pleasure in presenting this Annual Report on the business and operations with audited accounts of your Company for the year ended March 31, 2009.

FINANCIAL RESULTS

Your Company's financial performance for the year ended March 31, 2009 is summarized below:

(Rupees in Million)

Particulars	2008-2009	2007-2008
Net Turnover	17475.7	13948.6
Profit before Interest & Depreciation	2675.2	1972.7
Interest	896.4	428.3
Depreciation	762.1	612.3
Profit before non-recurring items	1016.7	932.1
Non-recurring items	—	—
Profit before Taxation	1016.7	932.1
Provision for Taxation	(391.8)	(307.4)
Profit after Tax available for appropriation	624.9	624.7
Appropriation		
Dividend on Equity Shares (including Taxes thereon)		
Interim dividend paid	42.1	—
Final dividend proposed	42.1	—
Dividend on Preference Shares paid (including Taxes thereon)	86.7	86.7
Transfer to General Reserve	65.0	—
Balance your Directors propose to carry to the Balance Sheet	389.0	538.0

DIVIDEND

During the year under review your Directors declared an interim dividend @ 15% on Equity Shares of Re.1 each. Your Board of Directors take pleasure in declaring a final dividend @ 15% to make a total equity dividend distribution of 30% for the year ended March 31, 2009.

Your Company paid a dividend on the Cumulative Redeemable Preference Shares (CRPS) at the rate of 3% under the terms of the issue of the 24.69 million CRPS held by Scottish & Newcastle.

CAPITAL

The Authorized Share Capital of the Company remained unchanged at Rs.2,800 million comprising Equity Share Capital of Rs.300 million and Preference Share Capital of Rs.2,500 million. The Equity Share Capital base increased by Rs.24 million on account of allotment of 24,004,825 Equity Shares of Re.1 each in the Rights Issue which concluded in May, 2008. Consequently, the Issued, Subscribed and Paid-up Share Capital as on March 31, 2009 stood at Rs.2,709 million comprising Equity Share Capital of Re.1 each aggregating to Rs.240 million and Cumulative Redeemable Preference Shares of Rs.100 each aggregating to Rs.2,469 million.

ALLIANCE WITH HEINEKEN N.V.

Consequent to the takeover of Scottish & Newcastle Plc. (S&N) by the Heineken Group, (Heineken), 37.5% Equity Shares held by S&N are now effectively owned by Heineken. Your company's promoters are in negotiation with Heineken N.V. for a comprehensive business partnership agreement to formalize Heineken's entry into United Breweries Limited. The terms and conditions of a formal agreement are yet to be finalized. Your Directors expect these issues to be resolved shortly.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Globally, over 133 billion litres of beer is sold each year. In comparison, the Indian beer Industry contributes a meagre 1.28% of the global sales. The industry has been witnessing on an average, a steady growth of about 10% per year over the last ten years with volumes crossing 172 million cases in 2008-2009 from 70 million cases in 2002. With a relatively younger population and income levels on the rise, India is seeing an increase in the popularity of beer.

Report of the Directors (contd.)

Consumption of beer in India is also constrained by lack of adequate market infrastructure. In China for instance, there is one outlet for every 300 persons. In contrast, India has one outlet for every 21,000 persons hampering free availability of beer. Total consumption of beer in China grew by 33.56% between the years 2000 and 2006 to reach a total market volume of 30.47 billion litres. With a per capita consumption of 22 litres, China is one of the largest beer consuming nations in the world.

Though beer is a milder form of alcohol, it is taxed by most states on the same basis as Spirits. The charge is on absolute alcohol basis. Globally on a per unit of alcohol basis, beer bears approximately 50% of levies imposed on Spirits whereas in India taxation is regressive on beer.

India is predominantly a hard liquor market and beer has a minority preference amongst those who consume alcohol. The per capita consumption of beer constitute a meagre 3% of global average. Typically the size of beer volumes in most countries is 7 to 10 times larger than spirits, whereas in India, spirits is larger.

The alcoholic beverage industry in India operates under a very complex regulatory environment which is the biggest challenge. In addition to restrictions on advertising, distribution infrastructure and retailing, varied tax structures, controlled pricing and licensing make operations more complex, consequently leading to higher costs, though providing entry barriers for new entrants as well.

The Indian beer market is dominated by strong beer which accounts for 74% of the total beer sale.

OPERATIONS

The dynamic growth momentum seen in 2006 and 2007 slowed down in 2008 due to various reasons, including, slow down in the economy and policy changes in various Indian States. Growth also slowed due to lower consumption of beer in the peak summer season coupled with the early arrival of monsoons. Volumes in the southern region were also affected adversely by a month-long supply stand-off between beer producers and the state government in Andhra Pradesh, with the companies demanding a price hike. During this period, your company stopped supplies to the State, which is one of the country's biggest beer market.

Your Company has outperformed its competitors and added market share despite this decision to stop supplies.

Your Company has upgraded most of its breweries with latest equipment to produce world class beer. We have made substantial investment in oxygen control equipment to reduce oxygen levels in the beer to deliver quality product at par with international standards.

Last year your Company chalked out an investment plan of Rs.1,450 million in Greenfield Projects and capacity expansion in the existing breweries. Around 34% of the planned investment has already been made in the greenfield as well as in enhancement of production capacity. The Greenfield Project at Adhra Pradesh is expected to commence production before the end of the current financial year. Acquisition of land at Nanjangud, Karnataka through KIADB acquisition process is also expected to be completed shortly. Your Company will continue to invest in enhancement of capacities to maintain its leadership position in this fast growing market.

Though remaining separate entities, synergies in business operations with associate breweries owned by the Group have continued to accrue cost savings and varied product offering to the consumer.

The combined sales of all brands of the brewing entities managed by your Company for the year crossed 82 million cases.

While Kingfisher Premium dominates the mild beer category, Kingfisher Strong continues to be the fastest growing brand of beer in the country, recording a growth of 23% over the previous year. Beer packaged in cans continues to grow in popularity amongst consumers as the volumes grew by more than 30% over the previous year.

Kingfisher Strong beer continues to be the number one selling beer in India. The Kingfisher brand is the most visible and the largest selling beer in India. It is available in over 50 countries world over.

SALES

During the year under report your Company and its associates sold 82.4 million cases of beer as against 75.3 million cases in the previous year. The net sales for the year 2008-2009 stood at Rs.17,475 million as against a net sale of Rs.13,949 million in the financial year 2007-2008 thereby growing at a rate of 25% over the comparable figure in the previous year. The combined market share of all beer brands of the brewing entities managed by your Company stood at 48% during the period under report. Despite a recessionary trend prevailing in India, your Company was able to maintain its market share and leadership position.

Your Company achieved a milestone in the month of March 2009 by selling over 10 million cases in a single month, the highest ever sale recorded in a month.

It would be worthwhile to note that despite the continuing impasse with the Government of Andhra Pradesh, the market share of all beer brands of the brewing entities managed by your Company crossed 50% in the 1st quarter of the current financial year.