

ANNUAL REPORT 2009 - 2010



The building blocks  
of success

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UNITED BREWERIES (HOLDINGS) LIMITED



Dr. Vijay Mallya  
Chairman

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negative impact on agricultural productivity. The company intends to press ahead with an Integrated Nutrient Management Program (INM) sales of which have already registered an increase of one third over the previous year.

Given its presence in the agricultural heartland of the country, the company regularly engages in several community activities.

### UB ENGINEERING (UB ENGG):

As the Indian economy picks up the growth trajectory, there is widespread recognition of the need for upgrading infrastructure. Recognizing the limitations of budgetary funding, there is increased emphasis on private sector participation on the upgradation of India's infrastructure. Ambitious plans have been drawn up for major investments in vital sectors such as power, roads, etc.

This focus creates enormous opportunity for UB Engg., which currently operates two divisions namely; Mechanical Erection and EPC. Both top line and profits have shown impressive growth during the year with prospects of this accelerating in the years to come. The company is also evaluating entry into possible new areas of business, which have tremendous growth prospects for many years to come, while at the same time promoting development across the country.

### UB CITY:

From the very first day it was occupied, UB City has become the most prized address in Bangalore, attracting stellar corporates, ultra luxury retail brands, premium restaurants and bars and a steady flow of visitors. Built with a painstaking attention to detail, the office spaces, service apartments, retail mall and food court have each redefined their respective spaces. Taking advantage of the expectation built around UB City, UBHL has plans to imminently launch an ultra luxury residential tower within the same complex. A one of a kind super premium development is envisaged with a minimum size of 500,000 sq. ft. As with the UB City development, the residential

tower will be constructed on a joint development basis with 55% of the built up area accruing to our company and 45% being retained by the builder. Construction is expected to start by the end of the current financial year and should be completed in about 3 ½ years. It is the company's intention to commence sale of space forthwith.

### COMMUNITY SERVICE:

The UB Group operates from over 150 manufacturing locations and project sites. Most of these are located in remote parts of the country. As part of UB's commitment to society at large, we have consistently initiated steps to improve the lives of the local communities that we engage with. Primary education, health care, conservation of water and energy and renewal of the water tables are just some of the projects that we undertake on an ongoing basis. We are particularly proud of having been recognized with the prestigious Water Digest Award for the year 2009-2010 in the category of Best Water Conserver – Waste Water Management Company and CSR company for water practices supported by UNESCO, PHDCCI and various Government of India agencies.

Overall, our philosophy is to incrementally make a positive impact to the environments we operate in and we do this on an everyday basis.

Friends, we can be justifiably proud of our achievements last year and confident that we are gathering momentum to set new records each year in each of our businesses.

Every member of the UB Group, its employees, managers, customers, suppliers, financial partners and above all dear shareholders yourselves, have contributed to a successful innings, and I am confident of continued support as we cross new milestones in the future.



Date: August 20, 2010

Dr. Vijay Malliya  
Chairman





# UNITED BREWERIES [HOLDINGS] LIMITED

Directors	<p>Dr. Vijay Mallya, Chairman</p> <p>Mr. Sidhartha V Mallya</p> <p>Mr. N Srinivasan</p> <p>Mr. S G Ruparel</p> <p>Mr. P G Mankad</p> <p>Mr. B S Patil</p> <p>Mr. M S Kapur <i>[with effect from December 7, 2009]</i></p> <p>Mr. A Harish Bhat <i>[Managing Director with effect from August 21, 2010]</i></p> <p>Mr. R N Pillai <i>[Managing Director upto August 20, 2010]</i></p>
Executive Vice Chairman The UB Group	Mr. S R Gupte
President & Chief Financial Officer The UB Group	Mr. Ravi Nedungadi
Company Secretary and Compliance Officer	Mr. Kaushik Majumder
Auditors	M/s Vishnu Ram & Co., Chartered Accountants Bangalore – 560 003
Registered Office	UB Tower, Level 12, UB City, No.24, Vittal Mallya Road, Bangalore 560 001
Registrars and Transfer Agents	M/s Alpha Systems Private Limited No.30, Ramana Residency, 4 <sup>th</sup> Cross, Malleswaram, Bangalore 560 003

# Report of the Directors

Your Directors have pleasure in presenting the 94th Annual Report of your Company together with the Audited Accounts for the year ended March 31, 2010.

## FINANCIAL RESULTS

The summary of financial results of the Company for the financial year ended March 31, 2010 is as under:

[Rs. in million]

	2009-2010	2008 – 2009
The working for the year resulted in		
• Profit before Exceptional Income	419.748	595.443
• Add Exceptional Income	960.420	-
• Profit before Depreciation and Taxation	1,380.168	595.443
Less:		
• Depreciation	107.072	80.799
• Taxation	570.806	106.769
Profit after tax	702.290	407.875
Profit for the year	702.290	407.875
Your Directors have made the following appropriations:		
• Proposed Dividend	66.819	-
• Corporate Tax on Proposed Dividend	11.099	-
• Transfer to General Reserve	-	-
Surplus carried to the Balance Sheet	624.372	407.875

## DIVIDEND

Taking into account the improved results for the year and also the need for resources for expanding business activities of the Company, your Directors have recommended a dividend of Re.1 per share (10%) for the year ended March 31, 2010.

## OPERATIONS

The Company's revenues comprise of rentals of property at UB City, Bangalore, Export Sales, Trade Mark License Fees, Dividends, Guarantee Commission and Interest on Loans and Deposits.

## PROPERTY DEVELOPMENT

A Joint Development Agreement was executed on April 26, 2010 with Prestige Estates Projects Limited [PEPL] to develop 1,93,266 sq. ft [4.44 acres] in the residential area "Brewery House" in the property bearing Municipal No.33, Vittal Mallya Road, Bangalore into a Luxury Residential Apartment Buildings with first class specifications. It is intended to develop a minimum super built up area of 500000 sq. ft. or such area as may finally be approved by the authorities and the Company will be entitled to 55% of the constructed area. The sanction of the plan is awaited. When built, this residential development will add yet another landmark to Bangalore's skyline.

Reflecting the changed scenario arising from the global economic slow down since last year, several Lessees of rental space (both office and retail) have re-negotiated the rentals. This has impacted the potential revenue. A re-negotiated package worked out with the retail lessees is now in place.

## SALE OF PROPERTY

During the year, the Company has sold Commercial Space measuring 26,696 sq.ft. of saleable super built up area inclusive of proportionate share in all the common areas in the Comet Block in 'UB CITY' and 7868.50 sq.ft. of undivided right, title and interest and ownership in the land in the UB City Property together with 30 covered parking spaces in basement to the developer of the property, Prestige Estates Projects Ltd.

## EXPORT BUSINESS

For the eleventh consecutive year, UB Global was awarded APEDA's Golden Trophy for outstanding export performance of Alcoholic Beverages, along with the Silver Award for the Best Merchant Exporter from the Federation of Karnataka Chamber of Commerce and Industry.

Recessionary economic conditions continued to haunt UB Global's markets, with several European countries

experiencing a liquidity crisis. The gradual boom witnessed by the domestic economy only added to the woes through increased input costs. The combined effect of such environmental impediments marginally affected revenues and profitability. However, performance in the branded leather footwear and apparel export was satisfactory.

For the first time, the overseas beer shipments crossed the one million cases mark during the year. Exports of wines to South Africa, which commenced in January 2009, widened its foot-print, spreading its presence to twelve countries.

Recognizing the financial benefits accruing from owned production units, UB Global acquired a footwear manufacturing unit at Ambur, a leather industry centre in Tamil Nadu, which is currently in an expansion phase. The exports division is focusing on ascending the value-chain and will be putting up a new facility to produce high-end casual-wear apparel from the following financial year. Both production units have been entirely funded from internal accruals.

## DIRECTORS

During the year, Mr. M S Kapur was appointed as an Additional Director to hold office up to the date of the next Annual General Meeting. The Company has received notice under Section 257 of the Companies Act, 1956, from a Member signifying his intention to propose Mr. M S Kapur as a candidate for the office of the Director of the Company liable to retire by rotation.

Mr. R N Pillai was re-appointed as Managing Director with effect from March 18, 2010 up to the close of business hours of August 20, 2010 without remuneration subject to approval of the Members at the ensuing Annual General Meeting. The Board wishes to place on record the valuable services rendered by Mr. Pillai during his tenure as Managing Director of the Company. Mr. R N Pillai will however continue to be a Director of the Company.

Mr. A Harish Bhat was appointed by the Board as Managing Director of the Company, without remuneration, from the close of business hours of August 20, 2010 for a period of three years or date of superannuation whichever is earlier subject to approval of the Members at the ensuing Annual General Meeting.

Mr. S G Ruparel and Mr. B S Patil, Directors, retire by rotation and, being eligible, offer themselves for re-appointment, as Directors liable to retire by rotation.

A brief resume of the Directors offering themselves for appointment /re-appointment is given in the Annexure to the Notice.

## AUDITORS

Messrs. Vishnu Ram & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

With regard to observations in the Auditors' Report on the accounts for the year ended March 31, 2010, the relevant financial notes are self explanatory and do not require further elucidation.

## LISTING OF SHARES OF THE COMPANY

The shares of your Company are presently listed on Bangalore Stock Exchange Limited [Regional Exchange], The Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited.

## CORPORATE GOVERNANCE

A report on Corporate Governance is annexed separately as part of the report along with a Certificate of Compliance from the Statutory Auditor. Necessary requirements of obtaining certifications / declarations in terms of Clause 49 of the Listing Agreements have been complied with.

## SUBSIDIARIES

During the current year, UB Sports Limited became a wholly owned subsidiary of the Company.

The following are the subsidiaries of the Company:

### A. Indian Subsidiary Companies

1. Bangalore Beverages Limited
2. City Properties Maintenance Company Bangalore Limited
3. Kingfisher Finvest India Limited [Formerly Kingfisher Radio Limited]
4. Kingfisher Airlines Limited [Formerly Deccan Aviation Limited]
5. Kingfisher Training and Aviation Services Limited [Formerly Kingfisher Airlines Limited]
6. Kingfisher Aviation Training Limited [Formerly Kingfisher Training Academy Limited]
7. UB Electronic Instruments Limited
8. UB Infrastructure Projects Limited
9. UB International Trading Limited
10. Vitae India Spirits Limited

# Report of the Directors (contd.)

## B. Overseas Subsidiary Companies

11. Inversiones Mirabel, S.A.
12. Mendocino Brewing Co. Inc, USA
13. Rubic Technologies Inc
14. Rigby International Corp
15. Releta Brewing Company LLC
16. UB Overseas Limited
17. UBHL [BVI] Limited
18. United Breweries of America Inc., Delaware
19. United Breweries International [UK] Limited
20. UBSN Limited

A summary of performance of all the above mentioned subsidiaries including turnover, profit before and after taxation are available in the statement under the heading Summarized Financials of Subsidiary Companies 2009-10 included in the Annual Report.

The Ministry of Corporate Affairs, Government of India, has granted exemption from attaching the annual accounts of the above Subsidiaries in view of the publication of consolidated financials. The Consolidated Financial Statements in the Annual Report include financial information of the Subsidiary Companies.

The Company will, however, make available the Audited Annual Accounts and related information of the Subsidiary Companies, upon request by any member of the Company. These documents will also be available for inspection during business hours at the Registered Office of the Company and at the venue of the Annual General Meeting.

## MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis Report is appended and forms an integral part of the Report on Corporate Governance which is appended.

## FIXED DEPOSITS

The Company started accepting fresh deposits during the year. The response to the Fixed Deposit Scheme was quite good. Fixed Deposits from the Public and Shareholders stood at Rs.1349.024 million as on March 31, 2010.

## TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A[5] and 205C of the Companies Act, 1956, an amount of Rs.0.134 million [Previous Year Rs.1.129 million] being the aggregate of the Unclaimed Dividend and Deposits, remaining unclaimed and unpaid for more than 7 years, have been transferred to the Investor Education and Protection Fund.

## PARTICULARS OF EMPLOYEES

The information as are required to be provided in terms of Section 217[2A] of the Companies Act, 1956 read with the Companies [Particulars of Employees] Rules, 1975 is enclosed.

## PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO

### Particulars of Conservation of Energy, Technology Absorption

The Provisions of Section 217[1][e] of the Act relating to conservation of energy and technology absorption do not apply to this Company since it is not engaged in manufacturing activities.

### Foreign Exchange Earnings and outgo

The particulars are as under:

[Rs. in million]

Description	Year ended	
	March 31, 2010	March 31, 2009
Foreign exchange earnings	1888.084	1947.960
Foreign exchange outgo	1747.185	152.513

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217[2AA] of the Companies Act, 1956 the Board of Directors hereby state that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- (iii) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities.
- (iv) the Annual Accounts have been prepared on a going concern basis.

## ACKNOWLEDGEMENT

Your Directors place on record the support received from Group Companies, shareholders, depositors, banks, financial institutions and employees.

## By Order of the Board

Bangalore  
August 20, 2010

**Dr. Vijay Malliya**  
Chairman

# Annexure to Directors' Report

Statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2010.

Employed throughout the year and in receipt of remuneration in aggregate of not less than Rs.24,00,000 per annum.							
Sl. No	Name	Age	Total Remuneration (Rs.in lacs)	Designation	Educational Qualifications	Experience in years	Previous Employment
1.	Anand Deepak	61	250.23	President – Fertilizers Division	B.A. (Eco.) (Hons), A.C.A.	36	Director, A F Ferguson & Co, Mumbai
2.	Ramanujam S	58	69.20	Executive Vice President – Group Taxation	B.Sc, A.C.A.	32	Manager, Group Taxation, Investment Trust of India Ltd, Chennai
3.	Shashikanth V	49	97.60	Executive Vice President – Overseas Business Division	B.E., PGDIT	26	Project Director, Bharat Forge Ltd, Pune
4.	Ashoke Roy	53	92.70	Deputy President- Internal Audit	B.Com, A.C.A., ICMA, ICSA	26	Senior Auditor, Philips India Limited.
5.	K V Sreenath	54	50.10	Senior General Manager- Chairman's Office	B.Com	34	First employment
6.	Anil Pisharody	50	37.70	Corporate Vice President-Finance	B.Com, A.C.A.	25	Commercial Manager- Contract Advertising India Limited
7.	D. Banerjee	51	58.50	Sr. Vice President	B.Tech (Hons.) PGDM	26	United Spirits Ltd.
8.	Kaushik Majumder	47	32.20	Assistant Vice President – Legal & Company Secretary	M.Com, F.C.S.	23	Company Secretary & Head-Legal – Tata Projects Ltd
9.	R. Swaminathan	49	35.80	Asst. Vice President- Internal Audit	B.Com, A.C.A.	25	Asst. Manager Accounts, The Indian Steel Rolling Mills Limited

Employed for part of the year and were in receipt of remuneration at the rate / not less than Rs.2,00,000 per month.

Sl. No.	Name	Age	Total Remuneration Rs.	Designation	Educational Qualifications	Experience in years	Previous Employment
1.	Sudhir Goyal*	62	91.27	Executive Deputy President – Human Resources	M A	33	Head of Human Resources – Duncan Group.
2.	J K Sardana**	54	11.70	Vice President	B.Tech (Mech.)	32	Alstom Projects India Limited

\* Since retired; \*\* Since transferred to another Associate Company

## Notes:

1. Remuneration shown above includes Salary, Allowance, Medical Leave, Travel Expenses and monetary value of perquisites as per Income Tax Rules.
2. None of the employees mentioned above is a relative of any Director of the Company.
3. None of the above mentioned employees is holding more than 2% of the Paid up Equity Capital of the Company.

# Annexure to Directors' Report (contd.)

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 as at March 31, 2010

(Rs. in million)

Sl. No	Name of the Subsidiary	No. of equity shares at the end of the financial year of the Company		Percentage of holding		Net Aggregate Profit/(Loss) of the Subsidiary so far as it concerns the Shareholders of the Company			
		United Breweries (Holdings) Limited	Other Subsidiary Companies	United Breweries (Holdings) Limited	Other Subsidiary Companies	a) Not dealt with in the Accounts of the Company		b) Dealt with in the Accounts of the Company	
						(i)	(ii)	(i)	(ii)
						For the subsidiary's financial year ended March 31,2010	For previous year of the subsidiary since it became a subsidiary	For the subsidiary's financial year ended March 31,2010	For previous year of the subsidiary since it became a subsidiary
1	2	3		4		5	6	7	8
1.	Bangalore Beverages Limited	-	50,000	-	100	(0.053)	(0.196)	-	-
2	City Properties Maintenance Company Bangalore Limited	50,000	-	55.00	-	2.056	19.046	-	-
3	Kingfisher Finvest India Limited [Formerly Kingfisher Radio Limited]	50,000	-	100.00	-	(821.060)	(1,234.614)	-	-
4	Kingfisher Airlines Limited [Formerly Deccan Aviation Limited]	86,385,156	74,715,448	32.49	28.10	(9,980.510)	(16,200.892)	-	-
5	Kingfisher Training and Aviation Services Limited [Formerly Kingfisher Airlines Limited]	33,216	2,747	66.43	5.49	(11.950)	(50.007)	-	-
6	Kingfisher Aviation Training Limited [Formerly Kingfisher Training Academy Limited]	3,000,000	-	100.00	-	(0.152)	5.476	-	-
7	UB Electronic Instruments Limited	280,976	6,410	96.25	2.19	4.422	6.269	-	-
8	UB Infrastructure Projects Limited	50,000	-	100.00	-	3.173	0.792	-	-
9	UB International Trading Limited	50,002	-	100.00	-	(15.710)	0.290	-	-
10	Vitae India Spirits Limited	-	50,000	-	100.00	(0.031)	(0.093)	-	-
11	Rigby International Corp.	15,115,488	-	100.00	-	(0.095)	(0.478)	-	-
12	UB Overseas Limited	50	950	5.00	95.00	(154.038)	(308.102)	-	-
13	Rubic Technologies Inc.	5,500,000	-	100.00	-	0.610	(25.565)	-	-
14	UBHL (BVI) Limited	238,370	-	100.00	-	(0.286)	(0.222)	-	-
15	United Breweries International (UK) Limited	-	100,000	-	100.00	1.23	4.771	-	-
16	UBSN Limited	-	100,000	-	100.00	(30.083)	(15.758)	-	-
17	United Breweries of America Inc., Delaware	-	14,542	-	92.49	(3.049)	(167.508)	-	-
18	Releta Brewing Company LLC	-	100	-	100.00	(9.803)	(139.053)	-	-
19	Inversiones Mirabel, S.A.	-	2	-	100.00	(0.143)	240.416	-	-
20	Mendicino Brewing Company Inc. USA	-	8,587,818	-	67.24	3.738	(184.543)	-	-