



Moving Forward



UNITED BREWERIES (HOLDINGS) LIMITED



Dr. Vijay Mallya
Chairman

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UNITED BREWERIES [HOLDINGS] LIMITED

Directors <i>(As on August 14, 2013)</i>	<p>Dr. Vijay Mallya, Chairman</p> <p>Mr. Sidhartha V Mallya</p> <p>Mr. N Srinivasan</p> <p>Mr. S G Ruparel <i>[up to February 11, 2013]</i></p> <p>Mr. B S Patil <i>[up to June 1, 2013]</i></p> <p>Mr. M S Kapur</p> <p>Mr. V K Rekhi</p> <p>Dr. Lalit Bhasin <i>[from May 30, 2013]</i></p> <p>Mr. V Shashikanth <i>[from August 14, 2013]</i></p> <p>Mr. A Harish Bhat, <i>Managing Director</i></p>
Executive Vice Chairman The UB Group	<p>Mr. S R Gupte</p>
President & Chief Financial Officer The UB Group	<p>Mr. Ravi Nedungadi</p>
Company Secretary and Compliance Officer	<p>Mr. Kaushik Majumder</p>
Auditors	<p>M/s Vishnu Ram & Co., Chartered Accountants No.12, Margosa Road, Malleswaram, Bangalore – 560 003</p>
Registered Office	<p>UB Tower, Level 12, UB City, No.24, Vittal Mallya Road, Bangalore – 560 001</p>
Registrars and Transfer Agents	<p>Integrated Enterprises (India) Limited No. 30, Ramana Residency, 4th Cross, Malleswaram, Bangalore – 560 003</p>

Report of the Directors

Your Directors have pleasure in presenting the 97th Annual Report of your Company together with the Audited Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

The summary of financial results of the Company for the financial year ended March 31, 2013 is as under:

(₹ in million)

	2012-2013	2011-2012
The working for the year resulted in		
• Profit/(Loss) from Operations	(1,577.425)	185.315
(Add)/Less		
• Depreciation	(92.145)	102.328
• Taxation	-	6.499
Profit /(Loss) after tax	(1,669.570)	76.488
Profit /(Loss) for the year carried to the Balance Sheet	(1,669.570)	76.488

DIVIDEND

In view of loss for the year, your Directors are unable to recommend any dividend for the year ended March 31, 2013.

OPERATIONS

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

PROPERTY DEVELOPMENT

The construction work for development of a luxury residential building "Kingfisher Towers – Residences at UB City" in the available land in UB City is progressing fast and is expected to be completed in 2015. The super built up area of the building would be 7,67,870 sq. ft. and the share of the Company would be 4,18,388 sq. ft. When completed, this residential development will become a landmark in Bangalore and will also augment revenues on sale of the residential units.

Your Company continues to earn rentals from the retail and office spaces let out in UB City.

EXPORT BUSINESS

For an unprecedented eighteenth consecutive year, UB Global has been awarded the Golden Trophy Award by Agricultural Produce Export Development Authority of India for achieving the highest exports of beverage alcohol. This helped UB Global in achieving its highest sales of ₹ 328 crores, despite uncertain market sentiment in Europe. With the addition of another manufacturing unit, apparel sales has grown by 32%.

SUBSIDIARIES

The following are the subsidiaries of the Company:

A. Indian Subsidiary Companies

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

B. Overseas Subsidiary Companies

12. Inversiones Mirabel, S.A.
13. Mendocino Brewing Co. Inc, USA
14. Rubic Technologies Inc
15. Rigby International Corp
16. Releta Brewing Company LLC
17. UB Overseas Limited
18. UBHL [BVI] Limited
19. United Breweries of America Inc., Delaware
20. United Breweries International [UK] Limited
21. Kingfisher Beer Europe Limited (Formerly 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 2012 -13 included in the Annual Report. The Company had invested in the above subsidiaries besides significant advances to them over the years.

The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2/2011 dated February 8, 2011 has issued directions under Section 212(8) of the Companies Act, 1956 granting general exemption from applicability of the provisions of Section 212 of the Companies Act, 1956 in relation to the Subsidiary Companies, subject to fulfillment of the conditions specified in the said circular.

The Company has availed the benefit of general exemption provided by the aforesaid circular and accordingly, the documents mentioned in Section 212(a) to (d) of the Companies Act, 1956 relating to the Company's subsidiaries are not attached to the Accounts of the Company. In terms of the said circular, your Company shall fulfill the prescribed conditions, make the requisite disclosures and further undertake that the Annual Accounts of the Subsidiary Companies and the related detailed information shall be made available to Shareholders of the Company and its Subsidiary Companies seeking such information. These documents will also be available for inspection during business hours at the Registered Office of the Company and of the respective Subsidiary Companies concerned.

SALE OF INVESTMENTS IN UNITED SPIRITS LIMITED TO RELAY B.V., AN INDIRECT WHOLLY OWNED SUBSIDIARY OF DIAGEO PLC

On November 9, 2012, the Board of Directors of your Company approved the execution, delivery and performance of a share purchase agreement between your Company, Kingfisher Finvest India Limited (a wholly owned subsidiary of the Company), certain other shareholders of United Spirits Limited ("USL"), Diageo plc and Relay B.V., an indirect wholly owned subsidiary of Diageo plc ("**Share Purchase Agreement**"), which agreement provided for the sale and purchase of certain shares of USL to Relay B.V. Further on November 9, 2012, your Company, Kingfisher Finvest India Limited the wholly owned subsidiary of your Company, Diageo plc and Relay B.V., entered into a shareholders agreement

to record their respective rights and obligations as shareholders of USL ("**Shareholders Agreement**") which agreement would become effective upon the completion of the sale and purchase of USL shares as contemplated under the Share Purchase Agreement ("**Completion**"). The sale of shares under the Share Purchase Agreement was subject to various conditions precedent, including obtaining leave of relevant High Court under Sections 536(2) and 537(1) of the Companies Act, 1956 in respect of winding up petitions filed against your Company (and other sellers, if any) before Completion. Accordingly, the Company filed applications before the Hon'ble High Court of Karnataka ("**High Court**") under Sections 536(2) and 537(1) of the Companies Act, 1956 and the High Court passed an order on May 24, 2013 granting leave to the Company to sell 13,612,591 equity shares of USL to Relay B.V. at a price of ₹ 1,440 per share (the "**Court Order**"). Following receipt of the Court Order, on July 4, 2013, your Company sold 10,141,437 equity shares of the face value of ₹10/- each held by your Company in USL to Relay B.V. for a consideration of ₹ 1,440/- per equity share and an aggregate consideration of ₹ 14,603,669,280 and Kingfisher Finvest India Limited sold 6,575,550 equity shares of the face value of ₹ 10/- each held by it in USL to Relay B.V. for a consideration of ₹ 1,440/- per equity share and an aggregate consideration of ₹ 9,468,792,000. As contemplated under the Share Purchase Agreement, the shares sold by your Company were released by certain lenders (in whose favour some of the shares were pledged) along with the simultaneous transfer of the sale consideration to those lenders as repayment of amounts owed to them through an escrow mechanism. With the completion of the Share Purchase Agreement, the Shareholders' Agreement between Diageo plc, Relay B.V., your Company and Kingfisher Finvest India Limited became effective from July 4, 2013 and Relay B.V. and Diageo plc have been included as co-promoters of USL, together with your Company and other existing promoters. Following the sale, your Company, together with, Kingfisher Finvest India Limited now holds 16,108,323 shares representing 11.08% of USL's share capital. Consequent upon the above sale, United Spirits Limited, will not be considered as an Associate, for accounting purposes.

The Hon'ble High Court of Karnataka in the Company Petitions while passing an Order on May 24, 2013 granting leave to the Company to sell 13,612,591 equity

Report of the Directors (contd.)

shares of USL to Relay B.V. at a price of ₹.1,440 per share has imposed some restrictions on your Company, inter alia refraining your Company "from creating pledge/hypothecation/charge/encumbrance over its movable and immovable properties pending disposal of the company winding up petitions." Your Company is complying with these restrictions imposed by the Hon'ble High Court of Karnataka and has applied for modification of the Order.

KINGFISHER AIRLINES LIMITED

Kingfisher Airlines Limited [KFA] is an Associate of the Group where your Company through itself and through its other subsidiaries holds 30.25% of the paid up capital of KFA. As a significant shareholder in KFA, your Company has significant exposure on various counts in it by way of loans and guarantees.

The lenders of KFA have, pursuant to certain Corporate Guarantees given by the Company (the validity of which is disputed), demanded from the Company, their alleged dues from KFA amounting to ₹ 6203.35 crores and have moved the Debt Recovery Tribunal ("DRT") for recovery of these alleged dues. The Company is taking steps to defend the proceedings before the DRT as per the advice of its lawyers.

The Goa Senior Division Court has granted an interim injunction against any coercive action by lenders of KFA in respect of the Company's property in Goa, tenanted to United Spirits Limited. Subsequently, KFA lenders have sent a notice under the SARFAESI Act in respect of the said property. The Company has responded to the notice issued to it purportedly under the SARFAESI Act challenging the same.

KFA lenders have also sold certain investments belonging to the Company pursuant to invocation of the purported pledge by the Company of certain investments. The Company and others have filed a suit in the Hon'ble Bombay High Court, being Suit No. 311 of 2013 against the consortium of bankers (Bombay Suit) who have advanced loans to KFA, inter alia, seeking the following reliefs:-

- (a) For a declaration that the Corporate Guarantee dated 21st December, 2010 given by the Company and the Pledge Agreement dated 21st December, 2010, are void ab-initio and non-est;

- (b) For a permanent order and injunction restraining the consortium of bankers, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance or in any manner giving effect to the impugned Notices dated 16th March, 2013, or from taking any other or further steps to act upon or in furtherance of the Pledge Agreement dated 21st December, 2010, save and except in accordance with the procedure set out in clause 8.1 of the Master Debt Recast Agreement (MDRA), including issuing a notice there under.
- (c) For a permanent order and injunction restraining the consortium of bankers, their servants, agents or assigns, or any other person claiming by, through or under them or any of them, from acting upon, in furtherance of the Corporate Guarantee dated 21st December, 2010 given by the Company and the Pledge Agreement dated 21st December, 2010;
- (d) That an order and decree of damages of the sum of ₹ 3,199.68 Cr. as set out in the Particulars of Claim be awarded to the Plaintiffs.
- (e) That the maximum limit under the Company's Corporate Guarantees be ₹ 16,014.300 million for reasons set out in the Suit.

The said Suit is pending adjudication in the Hon'ble Bombay High Court.

The Company (UBHL) and Kingfisher Finvest India Limited (KFIL, a wholly owned subsidiary of the Company) have filed a suit, inter alia, against IDBI Trusteeship Services Limited and SREI Venture Capital Limited in the City Civil Court at Calcutta, being T.S. No. 966 of 2013, inter alia, for the Security Trustee Agreement dated 30th June, 2008 and the Consolidated Deed of Pledge dated 21st December, 2010 (in respect of 4,937,375 equity shares of United Spirits Limited held by UBHL and KFIL) are void, unenforceable and of no effect.

SBICAP Trustee and the Consortium of Banks, which have advanced loans to KFA have filed a suit, inter alia, against IDBI Trusteeship Services Limited, SREI Venture Capital Limited, UBHL and KFIL in the court of City Civil Judge in Bangalore, being O.S. No. 25877 of 2013 to enforce their alleged rights under the Release of Residual Interest Agreement dated 21st December, 2010 in respect of the 3,147,985 shares held by UBHL in USL, 59,150,000 shares

held by UBHL in KFA and 1,789,410 shares held by KFIL in USL. In the suit, the Plaintiffs have called upon the Defendants to sell the pledged shares in the market, discharge their loan commitment and pass on the residue to the consortium. By an Order dated 14th July, 2013, the Judge granted ex-parte reliefs restraining the defendants therein from selling the pledged shares below the best available market price and at any event, at any price below Rs. 2350.68 per share (95% of the average closing market price on 07/06/2013 on the BSE/NSE), without the consent of the Plaintiffs therein, and restraining the Defendant Nos. 1 to 3 (IDBI Trusteeship Services Limited, SREI Venture Capital Limited and India Global Competitive Fund) from returning/ handing over the pledged shares to UBHL and KFIL and/or releasing the pledge over the pledged shares and/or altering the nature of the pledge in any manner, till the disposal of the suit. UBHL is in the process of obtaining appropriate legal advice to defend the aforesaid O.S. No. 35877 of 2013 and the ex-parte ad-interim orders passed therein.

Guarantee Commission arising out of the corporate guarantee given and Security Commission arising out of security pledged in favour of lenders of KFA, has not been accrued in view of KFA being precluded by its Bankers from making payment of any Guarantee Commission and in view of the stand taken by the Company and the other Plaintiffs in the Bombay Suit. Similarly, interest has not been accrued on the outstanding loans relating to KFA.

Certain alleged Corporate Guarantees on behalf of KFA have been invoked and certain purported benefactors of Corporate Guarantees issued on behalf of KFA have filed petitions against the Company under Sections 433/434 of the Companies Act 1956.

The Company ably assisted by eminent Counsel is taking all necessary steps to protect the interest of the Company.

Although KFA's license has expired on December 31, 2012, under civil aviation regulations, KFA has a period of 24 months to reinstate the same. A revival plan has been submitted to DGCA which is under consideration. Further, discussions are in progress with some prospective investors for restarting the airline operations which of course will be subject to statutory and regulatory approvals.

The Board of Directors of your Company at an appropriate time will discuss the merits of commissioning an in-depth study to assess the recoverability of the amounts advanced to KFA as part of its strategic review of all core investments. Meanwhile, in order to keep its investment

prospects alive, your Board has decided to keep the Airline funded on a need basis.

DIRECTORS

Dr. Lalit Bhasin was appointed as Director of the Company with effect from May 30, 2013 in the casual vacancy caused by the demise of Mr. Shrikant G. Ruparel.

Mr. V Shashikanth was appointed as an Additional Director with effect from August 14, 2013 to hold office up to the date of the ensuing 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. V Shashikanth as a candidate for the office of the Director of the Company not liable to retire by rotation. Mr. V Shashikanth was also appointed by the Board as Managing Director of the Company with effect from August 21, 2013 for a period of three years subject to approval of the Members at the ensuing Annual General Meeting.

Mr. A Harish Bhat was appointed as Managing Director of the Company, without remuneration, with effect from the close of business hours on August 20, 2010 for a period of three years. Accordingly, the term of office of Mr. Bhat as Managing Director ends on August 20, 2013. Mr. Bhat will cease to be a Director and Managing Director of the Company with effect from close of business hours on August 20, 2013. The Board wishes to place on record the valuable services rendered by Mr. Bhat during his tenure as Director and Managing Director of the Company.

Mr. Shrikant G. Ruparel, a Member of the Board of Directors of the Company expired on February 11, 2013. Mr. Ruparel was a Director for the past 22 years since December 21, 1991. The Board placed on record the valuable services rendered by Mr. Ruparel during his tenure as a Director of the Company.

Mr. B S Patil resigned as Director of the Company with effect from June 1, 2013. The Board placed on record the valuable services rendered by Mr. Patil during his tenure as a Director of the Company.

Mr. M S Kapur and Mr. N. Srinivasan, 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 proposed to be appointed/ re-appointed is given in the Annexure to the Notice.

Report of the Directors (contd.)

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 reference to observations in the Auditors Report regarding accrual of guarantee/security commission from an Associate Company (erstwhile subsidiary), inclusion of interest from Subsidiaries and Associates, non-provision for loans & advances to certain Subsidiaries and an Associate Company and for decline in value of investment in certain Subsidiaries and an Associate Company, the relevant notes to the accounts comprehensively explain the management's views on such matters.

LISTING OF SHARES OF THE COMPANY

The shares of your Company are listed on Bangalore Stock Exchange Limited [Regional Exchange], The BSE 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 Agreement have been complied with.

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report is annexed and forms an integral part of the Annual Report.

FIXED DEPOSITS

The Fixed Deposits accepted from the Public and Shareholders stood at ₹ 524.754 million as on March 31, 2013 (including an amount of ₹ 132.553 million accepted during the year under review).

A sum of ₹ 0.261 million from Public and Shareholders remained unclaimed as at March 31, 2013.

There have been no defaults in the repayment of fixed deposits during the year excepting occasional short delay for which interest had been paid along with matured deposits.

The Board of your Company has decided not to accept fresh deposits or renewals.

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 ₹ 0.237 million [Previous Year ₹ 0.132 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 given in the Notes to the Audited Accounts.

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 as at the end of the financial year and of the loss of the Company for that period.

Report of the Directors (contd.)



- (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.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company is carrying out CSR activities through its other Associate Companies.

GREEN INITIATIVE

Annual Report is transmitted through emails to those identifiable members while print version of the Annual Report is posted to others. The other details are available in the Company's website www.theubgroup.com.

ACKNOWLEDGEMENT

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

By Order of the Board

Goa
August 14, 2013

Dr. Vijay Mallya
Chairman



Annexure to Directors' Report

Statement under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975

Employed throughout the year and in receipt of remuneration in aggregate of not less than ₹ 60,00,000 per annum.							
Sl. No.	Name	Age	Total Remuneration (₹ in lacs)	Designation	Educational Qualifications	Experience in years	Previous Employment
1.	Anand Deepak	64	348.08	President	B.A. (Eco.) (Hons), A.C.A.	39	Director, A F Ferguson & Co.
2.	Shashikanth V	52	163.50	Deputy President – UB Global	B.E., PGDIT	29	Project Director, Bharat Forge Limited
3.	D. Banerjee	54	93.20	Senior Vice President	B.Tech (Hons.) PGDM	29	United Spirits Limited
4.	Anil Pisharody	54	62.90	Senior Vice President-Finance	B.Com., .A.C.A	28	Commercial Manager-Contract Advertising India Limited

Employed for part of the year and in receipt of remuneration at the rate of not less than ₹ 5,00,000 per month							
Sl. No.	Name	Age	Total Remuneration (₹ in lacs)	Designation	Educational Qualifications	Experience in years	Previous Employment
1.	Ashoke Roy	56	56.30	Deputy President – Internal Audit	B.Com., A.C.A., ICMA, ICSA	29	Senior Auditor, Philips India Limited

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.