

ANNUAL REPORT 2010-2011

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UNITED BREWERIES LIMITED

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Dr. Vijay Mallya
Chairman

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN of the Twelfth 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 Wednesday, December 21, 2011 at 3.00 p.m. for the following purposes:

1. To receive and consider the Accounts for the year ended March 31, 2011, and the Reports of the Auditors and Directors thereon.
2. To declare a Dividend.
3. To appoint a Director in the place of Mr. Chhaganlal Jain, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Ms. Kiran Mazumdar Shaw, who retires by rotation and, being eligible, offers herself for re-appointment.
5. To appoint a Director in the place of Mr. Madhav Bhatkuly, who retires by rotation and, being eligible, offers himself for re-appointment.
6. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification, the following Resolution as an **ORDINARY RESOLUTION:**

RESOLVED that Mr. Theodorus Antonius Fredericus de Rond, who in terms of Section 260 of the Companies Act, 1956 holds office till the date of this Annual General Meeting, and in respect of whom a notice has been received from a Member under Section 257 of the said Act, be and is hereby appointed as a Director of the Company not liable to retire by rotation.

Registered Office:

"UB TOWER", UB CITY,
24, Vittal Mallya Road,
Bangalore – 560 001.
New Delhi, November 23, 2011

By Order of the Board
Govind Iyengar
Senior 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 proxies, 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 **Tuesday, December 20, 2011 and Wednesday, December 21, 2011.**
4. Members are requested to intimate to the Company's Registrars and Share Transfer Agents viz., **INTEGRATED ENTERPRISES (INDIA) LIMITED** (Formerly known as Alpha Systems Pvt. Ltd.), 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, Integrated Enterprises (India) 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. Members are requested to quote the Folio Number / Client ID / DP ID in all correspondence.
8. Profile of Directors retiring by rotation and new Director form part of Corporate Governance Report. Their details are also attached to this Notice, as required, for perusal of the Members.
9. **MEMBERS PLEASE NOTE THAT NO GIFTS SHALL BE DISTRIBUTED AT THE MEETING.**

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

Item No.: 7

Mr. Theodorus Antonius Fredericus de Rond was appointed an Additional Director of the Company on August 09, 2011, as an addition to the Board pursuant to the provisions of Article 115 of the Articles of Association of the Company. In terms of the said Article and Section 260 of the Companies Act, 1956, he will hold office only up to the date of this Annual General Meeting. A Notice in writing under Section 257 of the Companies Act, 1956 along with a deposit of Rs.500 has been received by the Company from a Member signifying his intention to propose the appointment of Mr. Theodorus Antonius Fredericus de Rond as a Director of the Company.

In terms of the Shareholders' Agreement inter alia with Heineken N.V., in addition to the Chairman, CEO and CFO, the office of one more Heineken designated Director shall not be liable to retire by rotation. Therefore, it is proposed by Heineken that Mr. Theodorus Antonius Fredericus de Rond shall not be liable to retire by rotation.

None of the Directors, other than Mr. Theodorus Antonius Fredericus de Rond, is concerned or interested in the above Resolution.

Your Directors recommend the above Resolution for your approval.

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New Delhi, November 23, 2011

By Order of the Board
Govind Iyengar
Senior Vice President – Legal &
Company Secretary

DETAILS OF NEW DIRECTOR

PARTICULARS	MR. THEODORUS ANTONIUS FREDERICUS DE ROND
Qualifications	General Management Program, INSEAD, FRANCE
Expertise in specific functional area	Marketing & overall Business Management
Date of Appointment	09.08.2011
Date of Birth	26.06.1954
Directorships held in other Companies in India	Nil
Membership in Committees	Nil

Brief Profile of the above Director also forms part of Corporate Governance Report. The above Director does not hold any equity shares in the company. He is not related to any of the Directors of the Company.

**DETAILS OF DIRECTORS SEEKING-REAPPOINTMENT AT
THE ANNUAL GENERAL MEETING**

PARTICULARS	MR. CHHAGANLAL JAIN	MS. KIRAN MAZUMDAR SHAW	MR. MADHAV BHATKULY
Qualifications	Chartered Accountant and Company Secretary	Honors degree in Zoology, Masters in Brewing and Hon. Doctorate in Science	Masters in Commerce, Masters in Economics
Expertise in specific functional area	Finance and Corporate Strategy	Biotechnology	Finance and Economics
Date of Appointment	27.01.2003	26.10.2009	26.10.2009
Date of Birth	15.11.1933	23.03.1953	22.01.1966
Directorships held in other Companies in India	i. NOCIL Limited ii. RPG Life Sciences Limited iii. Asit C. Mehta Investment Intermediaries Limited iv. Shaw Wallace Breweries Limited v. Practical Financial Services Private Limited	i. Biocon Limited ii. Syngene International Limited iii. Clinigene International Limited iv. Biocon Biopharmaceuticals Limited v. Biocon Research Limited vi. Narayana Institute For Advanced Research Private Limited vii. Narayana Hrudayalaya Private Limited viii. Indian School of Business Private Limited ix. Glenloch Properties Private Limited	i. New Horizon Financial Research Private Limited ii. New Horizon Wealth Management Private Limited
Membership in Committees	Audit Committee i. NOCIL Limited (Chairman) ii. RPG Life Sciences Limited (Chairman)	Investors' Grievance Committee Biocon Limited	NIL

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.

Chairman's Statement

Dear fellow shareholders,

It's been another wonderful year for our company, with achievements on every front - sales of over 125 million cases, expansion of market share in the face of international competition, launch of Heineken in select markets, packaging innovations, corporate reorganisation, ... The list goes on!

Our company has clocked its highest ever volume growth of 23% during the year under review, driven by a 27% growth in strong beer and a healthy 16% in mild beer. In both segments, we have significantly outperformed the market.

Kingfisher Ultra continues its run as the preferred premium lager among discerning consumers, and has established its superiority over competing offerings from leading international brewers.

The highlight of the year, is the success launch of locally brewed Heineken in select markets. I am pleased that, through United Breweries Limited, India is amongst select countries in the world where this world leading premium brand is brewed. Connoisseurs confirm that in both taste and packaging, UB's offering matches the quality of Heineken available anywhere in the world.

Many consecutive years of outperforming the market in key large states, has enabled UBL to achieve a 54% national market share, the highest ever.

Operating, as we do, in a highly regulated environment, control of costs is an important element of our business, and considerable attention has been paid to this by the management.

A very significant innovation that will have long term benefits for the company, is the introduction of "patented" proprietary bottles. This initiative means that UB's patented bottles cannot be diverted to alternate uses and this has had a salutary effect on the price of second hand bottles.

Other cost containment initiatives, including use of biomass boilers for co-generation of power, have helped to keep our overall costs down despite an inflationary environment. This has enabled us to achieve a growth of over 45% in EBITDA in comparison to what was earned in the previous year.

We are committed to a continuous process of improving quality and vigorously attacking costs. To achieve this in the backdrop of robust growth in volume requires the company to make continuous investments in the manufacturing and sourcing end of the business.

With this intent, our company has earmarked investments exceeding Rs.1000 crores over the next 3 or 4 years to not merely augment capacities but also incorporate the latest technologies to improve even further, the quality of our already excellent product range.



Chairman's Statement (contd.)

The high yield variety of barley patented by the Vittal Mallya Scientific Research Foundation has captured the imagination of the farmers in northern India and the same is being sown in increasingly larger acreages. The extension of cropping of this vital input bodes well for the future availability of this most important raw material keeping pace with rising demand. Simultaneously, investments are planned in malting facilities so as to stay abreast of our requirements.

Our company has a conservative financial position, with very little debt in relation to its borrowing capacity. Our Debt to Equity ratio is also very healthy and has been recently augmented through the sale of Treasury Shares amounting to Rs. 285 crores. This enables us to raise the resources required for the investment programme at attractive rates.

You will recall that a number of acquisitions over the years had led to a complex holding structure. The tie up with Heineken also brought the Asia Pacific Breweries' two manufacturing facilities into our fold. In an effort to simplify the corporate structure, integrate units, and enhance both operating and tax synergies, a number of mergers, already approved by all of us, have been completed and judicial orders in hand. Accordingly, the accounts for the year ended 31st March 2011 incorporate the numbers for Associated Breweries and Distilleries Limited, Millennium Alcobev Private Limited, Empee Breweries Limited, Millennium Beer Industries Limited, United Millennium Breweries Limited, UB Nizam Breweries Private Limited and Chennai Breweries Private Limited.

Even as we focus on our consumers, we have not lost sight of the communities in which we operate. We continue to be committed to education, health care and water initiatives in each location that we operate in. Not only have these won recognition from national & international agencies, but most importantly, have helped to make the lives of thousands of people better. It is our way of saying "thank you" and giving back more than we take out of our environment.

I look to the future with optimism. Despite the palpable sense of a slowing down of the global economy, India and its young population is still imbued with anticipation of good times to come. United Breweries is well placed to be a part of the good times, and this will translate into higher sales with improved profitability.

All stake holders have contributed to the success of our company and I look forward to the continuing and enthusiastic participation of all our employees, customers, suppliers, bankers, and above all, you, dear shareholders.

Thank You!



VIJAY MALLYA
CHAIRMAN



Report of the Directors

Your Directors have pleasure in presenting this Annual Report and the audited accounts of United Breweries Limited ('UBL' or 'your Company') for the year ended March 31, 2011 ('the year under review', 'the year' or 'FY11').

FINANCIAL RESULTS – AN OVERVIEW

(Amounts in Rupees million)

	Year ended March 31	
	2011	2010
Net Turnover	30,960	20,751
Profit before Interest & Depreciation	4,348	2,949
Interest	781	555
Depreciation	1,305	883
Profit before Taxation	2,262	1,511
Provision for Taxation	(789)	(542)
Profit after Tax available for appropriation	1,473	970
Appropriations:		
Proposed dividend on Equity Shares (including taxes thereon)	184	101
Dividend on Preference Shares paid (including taxes thereon)	86	87
Transfer to General Reserve	150	100
Balance your Directors propose to carry to the Balance Sheet	1,053	682
Total appropriations	1,473	970

DIVIDEND

Your Board of Directors take pleasure in declaring a dividend of Re.0.60 per Equity Share, including on 14.6 million Equity Shares of Re.1 each fully paid up that were allotted to the shareholders of Millennium Alcobev Private Limited ('MAPL'), Empee Breweries Limited ('Empee') and UB Nizam Breweries Private Limited ('UB Nizam') and 9 million Equity Shares of Re.1 each pending allotment to the shareholders of Chennai Breweries Private Limited ('CBPL') and Millennium Beer Industries Limited ('MBIL') since amalgamated with the Company.

UBL paid a dividend on Cumulative Redeemable Preference Shares ('CRPS') at the rate of 3% under the terms of the issue of 24.7 million CRPS held by Scottish & Newcastle India Limited.

The total equity dividend for the year ended March 31, 2011 is 60%, and the total dividend (including dividend tax) is Rs.184 million (about 12% of Profit after Tax).

AMALGAMATIONS

Your Directors are pleased to inform that the Amalgamations of Associated Breweries and Distilleries Limited ('ABDL'), MAPL, Empee and UB Nizam with Appointed Date of April 1, 2010, and CBPL with Appointed Date of close of business hours on March 31, 2011, were approved by the Honorable High Courts of Karnataka and Madras.

MBIL and United Millennium Breweries Limited ('UMBL') have been amalgamated into your Company by the orders passed by Board of Industrial Financial Reconstruction ('BIFR') with Appointed Date of April 1, 2010.

These consolidations have ensured creation of a larger combined entity, and synergies in the businesses besides economies of scale. Combining all functions and operations has not only resulted in enhanced financial performance but also has provided benefits in the form of managerial and technical expertise, and financial resources thereby enhancing shareholder value.

CAPITAL

In view of the consolidation of share capital through the amalgamation of various companies, the Authorized Share Capital of your Company now comprises of Equity Share Capital aggregating to Rs.3,620 million and Preference Share Capital of Rs.4,914 million. The Issued, Subscribed and Paid-up Share Capital as on March 31, 2011 stood at Rs.2,724 million, comprising of Equity Share Capital of Re.1 each aggregating to Rs.254.54 million and Cumulative Redeemable Preference Shares of Rs.100 each aggregating to Rs.2,469 million. Upon amalgamation, 9 million Equity Shares of Re. 1 each are to be allotted to eligible shareholders which will enhance the Issued, Subscribed and Paid-up Share Capital to Rs.1,004.4 million comprising of 263.7 million Equity Shares of Re. 1 each and Cumulative Redeemable Preference Shares of Rs.100 each aggregating to Rs.740.7 million. Your Company has redeemed 17,283,000 Series – A Cumulative Redeemable Preference Shares of Rs.100 each held by Scottish & Newcastle India Limited on April 14, 2011.

MANAGEMENT DISCUSSION AND ANALYSIS**INDUSTRY OVERVIEW**

Beer is the world's most consumed alcoholic beverage and third most popular drink after water and tea. However, the consumption pattern in India is distinctly different from other countries, as alcohol consumption is skewed towards spirits. The per capita consumption of beer in India is very low – at about 1.5 liter per capita it is 5% of the global average.

We believe that the primary reasons for the extremely low consumption of beer are the tax structure, which does not differentiate between the alcohol content of various classes of beverages, and the low penetration of outlets for the sale and consumption of beer in India.

In India, spirits and beer are treated as similar alcoholic beverages and therefore, taxed on a similar basis without taking into account the fact that beer contains about 5-7% of alcohol by volume, whereas spirits contain over 40% of alcohol by volume. The result of this policy is that the consumer price of beer is 2 to 3 times higher than that of spirits on an equivalent alcohol basis.

In the context of availability, beer and spirits are viewed alike by the Excise Authorities, and the number of Points of Sale for beer is very low in the country. This too results in the suppression of beer consumption.

In many parts of the country, the wholesale, and at times the retail distribution points, are controlled by the State Government. Moreover, in about 60% of India, the State dictates the price at which beer can be sold by the brewers.

Notwithstanding the constraints mentioned above, we believe the future of the industry is very bright. As the economy develops, disposable incomes will keep rising and this in combination with the young demography of the country, will spur growth in the beer industry.

The size of the Indian beer industry in the year under review was approximately 225 million cases, showing a compounded annual growth rate of around 13% in the past 5 years. During the year under review the industry grew by 18%. Saliency of the strong beer segment continues to increase, and strong beer now accounts for an estimated 79% of volumes sold.

United Breweries Limited has not only successfully overcome the challenges of the industry, but also outpaced several global beer brands that have entered India in the recent past. In the process, your Company has increased its market share and widened the gap with its competitors.

The Central and State Governments have been considering a harmonized Goods and Services Tax ('GST') regime for a number of years, but have not been able to conclude on the terms of this regime. Most notably, there is a likelihood that the alcoholic beverages industry is excluded from GST altogether. Exclusion of an industry is against the foundation of GST and would not achieve the stated objective of creating a uniform market with uniform taxes.