

90
MILLION
ACHIEVEMENTS
100 MILLION DREAMS
ONE UNITED SPIRIT





Dr. Vijay Mallya
Chairman

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DIRECTORS

VIJAY MALLYA,
Chairman

S.R.GUPTA,
Vice Chairman

V.K.REKHI,
Managing Director

M.R. DORAISWAMY IYENGAR

B.M. LABROO

SREEDHARA MENON

SUDHINDAR KRISHAN KHANNA

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PRESIDENT & CFO – THE UB GROUP

RAVI NEDUNGADI

DEPUTY PRESIDENT & CHIEF FINANCIAL OFFICER

P.A.MURALI

COMPANY SECRETARY

V.S.VENKATARAMAN

AUDITORS

PRICE WATERHOUSE, CHARTERED ACCOUNTANTS, BANGALORE

REGISTERED & CORPORATE OFFICE

'UB TOWER', # 24, VITTAL MALLYA ROAD,
BANGALORE – 560 001



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Report of the Directors



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

At the outset, your Directors are glad to report that the Scheme of Amalgamation of Shaw Wallace & Company Limited and Primo Distributors Private Limited with the Company ("the Scheme") has been sanctioned by the Hon'ble High Courts of Karnataka, Bombay and Calcutta and the Scheme has become effective on July 6, 2009. The Amalgamation takes effect from April 1, 2007, being the Appointed Date.

Your Directors are also glad to report that the Scheme of Amalgamation of Zelinka Limited with the Company with the Appointed Date of April 1, 2007 became operative from March 26, 2009 pursuant to a Scheme of Amalgamation sanctioned by the Hon'ble High Court of Karnataka at Bangalore and compliance of the procedure required to be followed by Zelinka Limited under the local laws of Cyprus.

Accordingly, the financial results for the year ended March 31, 2009 also include those relating to the amalgamating Companies.

FINANCIAL RESULTS

The working of your Company for the year under review resulted in

- Profit from operations
- Less:
- Depreciation
- Taxation (including deferred tax)
- Profit after tax

Profit B/F from previous year

Profit transferred on Amalgamation

Profit available for appropriation

Your Directors have made the following appropriations:

- To General Reserve
- To Capital Redemption Reserve

Proposed Dividend:

- Preference Shares
- Equity Shares

Corporate Tax on Proposed Dividend

Balance carried to the Balance Sheet

EPS – Basic – Rupees

EPS – Diluted – Rupees

Rupees in Millions	
2008-09	2007-08
4,953.169	5,175.774
361.565	326.112
1,624.980	1,736.903
2,966.624	3,112.759
7,018.342	4,411.221
103.983	-
10,088.949	7,523.980
350.000	250.000
-	77.500
-	1.930
215.825	150.331
36.679	25.877
9,486.445	7,018.342
27.49	31.84
27.49	31.40

Your Directors propose a Dividend on the equity shares of the Company at the rate of Rs.2/- per share, including on 7,749,121 equity shares of Rs.10/- each fully paid-up allotted to the shareholders of Shaw Wallace & Company Limited pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Courts of Karnataka, Bombay and Calcutta.

CAPITAL

In terms of the Scheme of Amalgamation ("the Scheme") sanctioned by the Hon'ble High Courts of Karnataka, Bombay and Calcutta, the Authorised Capital of Shaw Wallace & Company Limited and Primo Distributors Private Limited, the Transferor Companies stood combined with that of your Company. Consequently, the Authorised Capital of the Company stands increased from Rs.1,200,000,000/- divided into 110,000,000 equity shares of Rs.10/- each and 10,000,000 Preference Shares of Rs.10/- each to Rs.3,292,000,000/- divided into 245,000,000 Equity Shares of Rs.10/- each and 84,200,000 Preference Shares of Rs.10/- each.

In terms of the Scheme, 7,749,121 Equity shares of Rs.10/- each, fully paid-up were issued and allotted on July 24, 2009 to the shareholders of Shaw Wallace & Company Limited in the ratio specified in the Scheme. Consequently, the Issued, Subscribed and Paid-up Equity Share Capital of the Company stood increased from Rs.1,001,632,560/- divided into 100,163,256 equity shares of Rs.10/- each to Rs.1,079,123,770/- divided into 107,912,377 equity shares of Rs.10/- each.

PERFORMANCE OF THE COMPANY

The Company has been able to record a 20% growth in volumes during the year with some key brands, such as, Signature Whisky recording a growth of 27% to enter the Millionaires Club. The umbrella McDowell's brand continues its buoyant growth and has earned the distinction of being India's largest consumer brand calculated by retail value of sales.

With over 50% of India's 1.2 billion population not having yet achieved legal drinking age, the industry is currently witnessing a demographic window of opportunity with large number of first time consumers entering the market.

The year however, witnessed a steep rise in input costs. Reduced sugarcane output and a political stand off between State Governments and sugarcane farmers in key producing states during the crushing season, resulted in unprecedented spike in input costs. Despite an impact of over Rs.3.5 billion

on account of higher input prices during the year, the Company managed to show only a marginal reduction in profits for the year which stood at Rs.2.97 billion as against Rs.3.11 billion in the previous year.

AMALGAMATION

Amalgamation of Shaw Wallace & Company Limited and Primo Distributors Private Limited with the Company:

In terms of the Scheme of Amalgamation of Shaw Wallace & Company Limited (SWCL) and Primo Distributors Private Limited (Primo) with the Company ("the Scheme") sanctioned by the Hon'ble High Courts of Karnataka, Bombay and Calcutta, which became effective on July 6, 2009, with Appointed Date as April 1, 2007:

- SWCL and Primo, both subsidiaries of the Company were amalgamated with the Company and the entire business and whole of the undertaking of the said transferor companies stood transferred to and vested in the Company;
- The shareholders of erstwhile SWCL were issued and allotted in aggregate 7,749,121 Equity Shares of Rs.10/- each fully paid-up in the Company in the ratio of 4 equity shares of Rs.10/- each fully paid-up in the Company for every 17 equity shares of Rs.10/- each fully paid-up in SWCL;
- 15,072,311 equity shares of Rs.10/- each representing, 31.40% of the paid-up capital of SWCL held by the Company stood cancelled upon the Scheme becoming effective;
- The Equity Shares held by the Company in Primo were cancelled without any exchange of shares in the Company, as its entire paid-up share capital was held by the Company.
- Consequent to the Scheme becoming effective, Primo stood dissolved without winding up. SWCL will be dissolved without winding up under a separate Order of the Hon'ble High Court at Calcutta.

In terms of the Scheme, a Trust in the name of Primo Benefit Trust and a Trust in the name of SWC Benefit Trust were created for transfer of 1,306,431 Equity shares held by Primo and 10,282,553 equity shares held by SWCL in the Company to the aforesaid Trusts respectively. Upon the Scheme becoming

effective, the beneficial interest in SWC Benefit Trust and Primo Benefit Trust stands transferred and vested in the USL Benefit Trust, whose beneficiary is the Company. Subsequent to the year end, SWCL has sold 10,282,553 Equity Shares held by it in the Company in the open market, through the stock exchanges and 1,306,431 equity shares held by Primo in the Company has been transferred to Primo Benefit Trust. Upon the Scheme becoming effective, the shares held by Primo Benefit Trust stood transferred to and vest with USL Benefit Trust.

Amalgamation of Zelinka Limited with the Company:

In terms of the Scheme of Amalgamation of Zelinka Limited with United Spirits Limited as sanctioned by the Hon'ble High Court of Karnataka at Bangalore and subsequent compliance of the procedure required to be followed by Zelinka Limited under the local laws of Cyprus, which became operative on March 26, 2009, with Appointed Date as April 1, 2007:

- the entire undertaking of Zelinka Limited including all assets and liabilities, stood transferred to and vested in the Company;
- The Equity Shares held by the Company in Zelinka Limited were cancelled without any exchange of shares in the Company, as its entire paid-up share capital was held by the Company.

Amalgamation of Balaji Distilleries Limited with the Company:

Balaji Distilleries Limited (BDL), which has been a contract manufacturing unit of the UB Group ever since its inception in the year 1983, is proposed to be amalgamated with the Company with effect from April 1, 2009, being the Appointed Date. BDL has a large state of the art distillery and brewery in Tamil Nadu. The distillery has a capacity to produce Ten million cases per year while the brewery has a capacity of Nine million dozens per annum expandable to about twelve million dozens. BDL incurred huge losses resulting in the erosion of its entire Net Worth and in consequence, BDL on reference, has been declared as a sick industrial undertaking under the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

The draft Rehabilitation Scheme along with the Scheme of Arrangement between Balaji Distilleries Limited, Chennai

Report of the Directors (Contd.)

Breweries Private Limited and United Spirits Limited has been submitted to the Board for Industrial and Financial Reconstruction (BIFR). The Scheme of Arrangement will become effective on receipt of necessary approval from BIFR.

SUBSIDIARIES

During the year under review, United Spirits (Shangai) Trading Company Limited became a wholly owned subsidiary of your Company.

Consequent upon the amalgamation of Shaw Wallace & Company Limited and Primo Distributors Private Limited with the Company:

- Shaw Wallace & Company Limited and Primo Distributors Private Limited ceased to be subsidiaries of the Company;
- Shaw Wallace Breweries Limited became direct subsidiary of the Company;

Consequent upon the amalgamation of Zelinka Limited with the Company:

- Zelinka Limited ceased to be a wholly owned subsidiary of the Company;
- Palmer Investment Group Limited and Montrose International S.A. became direct wholly owned subsidiaries of the Company;
- Liquidity Inc. became a direct subsidiary of the Company.

The Company has made application to the Government of India pursuant to Section 212(8) of the Companies Act, 1956 seeking approval for exempting the Company from attaching with the accounts of the Company, the Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Report and other particulars of the Subsidiary Companies as on March 31, 2009. The necessary approval in this regard is awaited. Pending such approval, Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Report and other particulars of the subsidiary companies as on March 31, 2009 have not been attached with the accounts of the Company. The documents/details will be made available to any Member of the Company and its subsidiaries upon request to the Company. The annual accounts of the subsidiary Companies as on March 31, 2009 will also be kept for inspection by any

member at the Registered Office of the Company and that of the subsidiary Companies concerned.

The Accounting year of United Spirits Nepal Private Limited (USNPL), your Company's Subsidiary in Nepal is from mid-July to mid-July every year. Accordingly, Accounting year of 2007-08 of USNPL ended on July 15, 2008 and the Accounting year 2008-09 ended on July 14, 2009, i.e., after the end of the close of the financial year of the Company, which ended on March 31, 2009. For the purpose of compliance under Accounting Standard - 21, relating to "Consolidated Financial Statement," the Accounts of USNPL has been drawn up to March 31, 2009.

For the purpose of compliance under Accounting Standard - 21, "Consolidated Financial Statement" presented by the Company includes the financial information of its subsidiaries.

PROSPECTS

The IMFL industry has been growing at a fast pace and the rate of growth seems to be accelerating. This is due to a combination of first time entrants to the market upon attaining legal age and uptrading from country liquor. For the year ended March 31, 2009, the total IMFL industry stood at 214 million cases and it is anticipated that double digit growth will continue in the industry for several years to come.

Input costs have been on the rise for the last two years and continue to be a cause of concern. However, supply side constraints are somewhat mitigated by reduction in demand for industrial use of alcohol and new grain distillation facilities that have come up in various parts of the country. Your Company, as the clear market leader would expect to garner a major share of the growth prospects of the industry, while being able to parley its critical size to ensure consistent availability of inputs at competitive prices.

Efforts by the Company to generate resources to prepay loans were successfully initiated with the sale of 10,282,553 "Treasury Shares", which raised about US\$ 186 million. Plans have been drawn up for raising additional sums to further repay debt, which will have the beneficial impact of lower interest costs in the coming years.



The demand for Scotch continues to grow, especially from new markets in Asia and this has led to the continued hardening of scotch prices, thus affirming the strategic advantage of the Whyte and Mackay acquisition.

The consolidated accounts for the year include non cash adjustments, reflecting changes in the relative exchange rates of reporting currency, the US Dollar and the Great Britain Pound. While Accounting Standards require the Company to recognize these differences in a calibrated manner over three years, the same is not viewed as a business constraint.

DEPOSITORY SYSTEM

The trading of the equity shares in your Company is under compulsory dematerialisation mode. As of date, equity shares representing 94.66% of the equity share capital are in dematerialised form. As the depository system offers numerous advantages, members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

DIRECTORS

Mr. Sreedhara Menon and Dr.Vijay Mallya retire by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

M/s. Price Waterhouse, your Company's Auditors, are eligible for re-appointment at the Annual General Meeting and it is necessary to fix their remuneration.

TAX AUDITORS

Your Directors have appointed M/s. Lodha & Co., Chartered Accountants as the Tax Auditors of the Company to carry out the tax audit of the Company for the year ended March 31, 2009.

LISTING OF SHARES OF THE COMPANY

Your Company's Equity Shares have been delisted from the Stock Exchanges at Ahmedabad, Chennai, Delhi and Kolkata in accordance with the shareholders' approval at the Annual General Meeting of the Company held on November 28, 2007.

The Equity Shares of your Company continue to remain listed on Bangalore Stock Exchange Limited, Bombay Stock

Exchange Limited and National Stock Exchange of India Limited. The listing fees for the year 2009-10 have been paid to these Stock Exchanges.

7,749,121 equity shares issued and allotted to the shareholders of erstwhile Shaw Wallace & Company Limited in terms of the Scheme of Amalgamation will be listed on the stock exchanges where the existing equity shares of the Company are presently listed and necessary steps have been taken by your company in this regard.

GLOBAL DEPOSITARY SHARES

Your Company had issued 17,502,762 Global Depositary Shares (GDSs) representing 8,751,381 Equity Shares ranking *pari-passu* in all respects with the existing paid-up equity shares, 2 GDSs representing 1 equity share of par value of Rs.10/- each at US\$7.4274 per GDSs aggregating to US\$ 130 mn. These GDSs are listed on the Luxembourg Stock Exchange.

As on July 24, 2009, there is an outstanding of 689,900 GDSs representing 344,950 equity shares.

CREDIT RATING

ICRA Limited (ICRA) has assigned "LA-" (pronounced LA minus) rating on the long term scale to the Long Term Debt Programme of the Company (Basel II) and also assigned "A1" (pronounced A One) rating on the short term scale to the Short Term Debt Programme of the Company.

CORPORATE GOVERNANCE

A report on the Corporate Governance is annexed separately as part of this report along with a certificate of compliance from a Company Secretary in practice. Necessary requirements of obtaining certifications/declarations in terms of Clause 49 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

Fixed Deposits from the public and shareholders, stood at Rs.654.01 million as at March 31, 2009. Matured deposits

Report of the Directors (Contd.)

for which disposal instructions had not been received from concerned depositors stood at Rs.28.07 million as at March 31, 2009. Of this, a sum of Rs. 7.51 million has been since paid as per instructions received after the year-end.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Unclaimed Dividend, Debentures and Deposits, remaining unclaimed and unpaid for more than 7 years, have been transferred to the Investor Education and Protection Fund.

HUMAN RESOURCES

Employee relations remained cordial at all the Company's locations.

Particulars of employees drawing an aggregate remuneration of Rs.2,400,000/- or above per annum or Rs.200,000/- or above per month, as required under Section 217(2A) of the Companies Act, 1956, are annexed.

EMPLOYEE STOCK OPTION SCHEME

The Company has not offered any stock option to the Employees during the year 2008-2009 either under the McD ESOP Scheme or McD-Employee Stock Option Scheme – 2002.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, ETC.

In accordance with the provision of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors), Rules, 1988, the required information relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo is annexed.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, in relation to financial statements for the year 2008-09, the Board of Directors reports that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- accounting policies have been selected and applied consistently and that the judgements 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 profit of the Company for the year ended March 31, 2009;
- 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 preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

THANK YOU

Your Directors place on record their sincere appreciation for the continued support from the shareholders, customers, suppliers, banks and financial institutions and other business associates. A particular note of thanks to all employees of your Company, without whose contribution, your Company could not have achieved the year's performance.

By Authority of the Board

Bangalore
July 29, 2009

Dr. VIJAY MALLYA
Chairman



ANNEXURE TO DIRECTORS' REPORT

[Additional information given pursuant to requirement of Section 217(1)(e) of the Companies Act, 1956]

CONSERVATION OF ENERGY

With reference to energy conservation and cost reduction, steps taken by the company at its various manufacturing units were as follows:-

- Energy Audits were undertaken and devices such as 'Power Bos', 'Variable Frequency Drive' and 'Automatic Power Factor Control unit' were installed for conservation of electrical and thermal energies.
- Process plant revamp was done to reduce steam consumption.
- Plate Heat Exchangers were installed for Heat Recovery.
- Steam driven condensate recovery pumps were installed for reducing Electrical / Fuel consumption.

RESEARCH & DEVELOPMENT (R&D)

As an ongoing process the Company carries out research in its State-of-the-art in-house Research and Development Centre for development of new-age products, new innovative packaging materials and analytical method for quality management.

Expenditure on R & D: (Rs. in Million)

(a) Capital	-	0.214
(b) Recurring	-	30.033
(c) Total	-	30.247
(d) Total R & D expenditure as a percentage of total turnover	-	0.08%

TECHNOLOGY ABSORPTION

Technology imported during the last 5 years : Nil

- The Company is evaluating latest Technology for effluent Treatment of Distillery waste by a new process called evaporation / incineration.
- Imported labeling machines were installed for labeling of premium products to further enhance the quality of finished product.
- The Company perfected the art of sleeving technology by importing sleeving machine for full body sleeving of certain White Spirit Brands.
- The Company is also evaluating the use of Gas Turbines for utilizing Methane gas produced in Anaerobic Digester and generating captive power for running the Distilleries.

FOREIGN EXCHANGE EARNINGS/OUTGO

(Rupees in Million)

	2008-09	2007-08
1 Exports & Foreign Exchange earnings	42.142	19.597
2 Imports / Expenditure in Foreign Currency	1,944.014	792.318

By Authority of the Board

Bangalore
July 29, 2009

Dr. VIJAY MALLYA
Chairman