



Upward sweep of premiumisation



UNITED SPIRITS LIMITED
ANNUAL REPORT 2011 - 2012



Dr. Vijay Mallya
Chairman

“United Spirits Limited is one of the only two companies in the world with a dozen brands among the top 100 spirits brands worldwide”

“USL has also been in the forefront of innovation and has successfully experimented with alternative packaging which has resulted not only in greater consumer satisfaction, but also in reducing costs.”

“Our Company is now universally acknowledged as one of the fastest growing scotch players in the world. Iconic brands like Dalmore and Jura consistently find their place among luxury brands in the world.”

“United Spirits shall focus on profitability and Return on Capital Employed in the coming years and leverage its size and reach to achieve improved financial parameters in preference to volume growth goals. A combination of highly recognized brands and a high reputation for quality encourages me to view the future of USL with optimism.”

C O N T E N T S

Report of the Directors	1
Corporate Governance Report	8
Management Discussion & Analysis Report	18
Auditors' Report	24
Balance Sheet	28
Statement of Profit and Loss	29
Cash Flow Statement	30
Notes to the Financial Statements	32
Consolidated Financial Statements	67



UNITED SPIRITS

▪ *scripts* ▪

IT'S PREMIUMIZATION SUCCESS

Contribution by Premium Brands increases from 9% to 55% in less than a decade

United Spirits, the flagship company of the UB Group, chronicled its premiumization success this year, creating history with the multi-fold increase in contribution from its premium brands, from just 9% in 2005 to 55% in 2012. The EBITDA to NSR margins also doubled to 15% over six years. This is no surprise or stroke of luck for a company that has pushed the paradigm time and again with a strong leadership team, an unmatched brands portfolio, largest production capabilities, extensive distribution and of course the winning spirit. The company embarked on this mission a few years ago with the emerging opportunity in lifestyle consumption of alco bev brands in the Indian market. USL volumes in prestige and above segments grew by 15%. Signature Rare whisky and the Antiquity series grew by 25% whereas relevant competition recorded only a 20% growth. Royal Challenge whisky grew by 23% and faster than the growth of premium + prestige industry at 18%, with its repositioning. McDowell's No. 1 was rated as the largest alco bev franchise both by volume (44 million cases with a 9% growth) and value (USD 2 billion) by Impact International magazine for calendar year 2011.

Notwithstanding the global iconic premium labels in its portfolio – McDowell's No. 1, McDowell's No. 1 Platinum, McDowell's VSOP, Royal Challenge, Signature, Antiquity, Black Dog, Whyte & Mackay – United Spirits launched a series of premium brands

across flavors specifically in the last one year, endorsed by the international panel of taste experts across a variety of global alco bev competitions.

Just ahead of its 130th year, Black Dog launched its 18 YO variant as a tribute to its Scottish founder, Sir Walter Millard, under the keen eyes of master blender, Richard Paterson. Black Dog 18 YO won the best in class gold at the International Wine and Spirit Competition usurping popular scotch labels from Diageo and Pernod Ricard. The Black Dog franchise grew by 28% last year. USL's BII scotch portfolio grew by 44% in volume (CAGR 2006-07 to 2011-12). Amongst single malts, Dalmore and Jura emerged as the fastest growing brands both worldwide and in India. Jura 10 YO, Superstition and 16 YO grew by 67% in 2011 while Dalmore grew by 92% last year.



Ashok Kapoor, President & MD

***"As a business philosophy,
United Spirits has never rested
on its laurels."***

A new milestone in the Indian spirits industry was the launch of Signature Premier - a grain whisky, blended with 8YO scotch. The Signature franchise grew by 31% with this launch in 2011-12. Signature Premier was rated as the Whisky of the Year 2012 by the International Whisky Competition held in Chicago and the World Spirits Awards held in Austria this year. The brand also won a silver medal at the Ninth ISW International Spirits Competition, held in Germany.

Another runaway success was the launch of India's first twin flavoured vodkas both in the premium and in the regular segments under the Vladivar and White Mischief labels respectively. Vladivar swept the 2012 Gold at the Monde Selection Brussels.

If whiskies and vodkas witnessed hectic buying of

USL PERFORMANCE IN PERSPECTIVE: APR'11 - MAR'12

USL brands grew 7% in 2011-12.

World's top 100 spirits brands grew 2.9%.

16 of the top 25 global premium brands either lost ground or grew <3%.

USL is one of the two top companies with 12 brands featuring in the top 100 brand listing.

USL has 5 of the top 25 brands by volume.

Source - Impact DataBank

USL's premium launches, the rum and the brandy segment was not far behind. United Spirits launched McDowell's No. 1 Cariba Rum, creating for the first time a prestige category for rum in India with imported blend from the famous Jamaican Appleton Estate. West Indian cricketer, Chris Gayle, was signed up as Cariba's brand ambassador, echoing the true spirit of the Caribbean.

In the brandy category, Louis Vernant XO spiralled brandy category sales especially in the top end of the market. McDowell's VSOP achieved its millionaire status in the first full calendar year of its launch.



P.A. Murali, Jr. President & CFO

"United Spirits is poised for the next quantum leap."

United Spirits made significant strides in the wines segment, recording a growth of 65% albeit a comparatively smaller base in this sunrise category. Four Seasons alone grew by 91%. The company started wine exports under the Ritu label to evolved wine

USL - LINE SEGMENT WISE PERFORMANCE: APR'11 - MAR'12

	Vol in Mio. cases		Growth %	
	Act 10-11	Apr 11-12	Yr 10-11	Yr 11-12
Prestige & Above	23.20	26.79	12%	15%
Regular	79.18	81.61	12%	3%

consumption markets including the UK, Germany and France. The company further plans to strengthen its foothold for Ritu in international markets.

As a business philosophy, United Spirits has never rested on its laurels. Creating value for its stakeholders has been its motto ever since it was set up more than five decades ago. With fully leveraged its acquisitions, results of which are showing on its rising profits graph, United Spirits is poised for the next quantum leap.



MCDOWELL'S NO.1 MAKES IT LARGER



McDOWELL

McDowell's No. 1 set a new benchmark in the Indian alco bev industry by emerging as the single largest spirits franchise both by volume and value at USD 2 billion, according to Impact International. McDowell's No.1 franchise clocked over 44 million cases in FY 12. McDowell's No.1 whisky franchise sold 16.9 million cases in FY 12 surpassing all whiskies in the prestige and above categories in India. The nearest competitor whisky was 15% marketshare points behind McDowell's No.1 whisky franchise, for the same period.

TOP 100 SPIRIT BRANDS WORLDWIDE BY 2011E RETAIL VALUE: 26-50 1,2

BRAND	COMPANY	TYPE	SALES VOLUME (MILLIONS OF NINE-LITER CASES)	RETAIL VALUE (MILLIONS OF US DOLLARS)
McDowell's No.1 Whiskey	UNITED SPIRITS	INDIAN WHISKEY	16.1	930
McDowell's No.1 BRANDY	UNITED SPIRITS	BRANDY	11.7	485
McDowell's No.1 RUM	UNITED SPIRITS	RUM	15.6	645

Source: Impact Databank



McDowell's today, is the undisputed leader in the Prestige segment and continues to be flagship brand of United Spirits. According to Mr. Ashok Kapoor, President and Managing Director, United Spirits, "In our pursuit to be the value leader, McDowell's No.1 has lead the charge and helped USL drive significant value growths in a tight year".

McDowell's No.1 Celebration Rum is the largest selling dark rum in the country beating its next competition Old Monk Rum by more than 8 million cases. McDowell's No. 1 Celebration Rum is the fastest growing rum (IWSR, Fastest Growing Spirits Brands Report Calendar Year 2011) and the second largest selling rum in the world (Impact International Report Calendar Year 2011). McDowell's No.1 Brandy continues to be the largest selling Brandy in the World despite some volume reversals in Tamil Nadu this year.



McDowell's No.1 Platinum – a new variant launched achieved 1 million cases in the first year of launch. McDowell's VSOP, a premium brandy, achieved the same feat in just 4 states of South India. The new premium Rum variant – McDowell's No.1 Cariba got off to an astounding start this year.

Put together, the McDowell's No.1 franchise across the various flavors of Whisky, Brandy & Rums (both Dark & White) have added 4 million cases of additional volume to USL's kitty. " McDowell's No.1 continues to build the base of consumers for the USL franchise helping us to sustain and migrate these consumer to premium variants and other flavors" – added Mr Kapoor in his Financial year ending note.

McDowell's No.1 has constantly invested in brand innovations, new variants and product & packaging innovations. The star studded McDowell's No.1 franchise partnered with ace Bollywood producer, director, actor- Farhan Akhtar, Indian skipper, MS Dhoni, and West Indian cricketer, Chris Gayle as its brand ambassadors for McDowell's No.1 whisky, McDowell's No.1 Platinum whisky and McDowell's No.1 Cariba rum, respectively. Raise a toast to the No.1 spirit.



FAST FACTS		
McDowell's No.1 Whisky Franchise	McDowell's No.1 Rum	Brandy Franchise
McDowell's No.1 whisky grew by 14% McDowell's No.1 Platinum grew by 56%. Fastest million in IMFL history McDowell's No.1 whisky franchise growth by 19% against segment growth of 18%. Pernod Ricard's Royal Stag grew by 11%. Platinum has a unique offering in its segment with mono-carton in QPN	McDowell's No.1 Celebration Rum fastest growing rum in the world. Largest selling dark rum in India, with a market share of 57.1% (only Civil Market). Sold more than 16 million cases in 2011-12. Regular Rum Industry grew at 7%; Old Monk Rum from Mohan Meekins at only 9% market share Launch of Cariba in the Prestige segment	McDowell's No.1 Brandy highest selling brandy in the world. Largest selling brandy franchise in the country. Achieved 11.65 million cases in 2011-12. Market share of 34%. Grew by 16% vs an Industry growth of 12% (excluding TN) Portfolio strategy in the regular segment with reputed & world class offerings such as Honey Bee Brandy, Golconda Brandy, White Mischief brandy etc. 80%share excluding TN. McDowell's VSOP launched in the prestige segment. Achieved millionaire status within 1.5 years of launch. Sold 1.37 million cases in 2011-12. Gained 9% share within 1.5 years. MVSOP growth of 52% in a segment that grew by 19% in 2011-12. Nearest competitor Mansion House dropped 6% share.



MICRO PLANNING SPURS PROFITABILITY FOR

USL

IN THE REGULAR SEGMENT

OLD TAVERN WHISKY RATED AS THE FASTEST GROWING WHISKY
BY IWSR BEATING OFFICER'S CHOICE

AMONG TOP 25 FASTEST GROWTH SPIRITS BRANDS

Rank - 4	Brand - Old Tavern	Category - Whiskey	Owner - UB India
Volume 2011 in '000s of 9 litre cases	Volume 2011 11,300.0	Volume change 2011 on '10 2,250.0	% share in lead market 100.0

All volumes in '000s of 9 litre cases.

Source: The IWSR database 2012.



United Spirits retained its top slot in the regular whisky category with the portfolio growing at 6% over last year and a dominant share of 58%. Old Tavern emerged as a true winner in this category recording highest growth in the top 25 fastest growing spirits tally by IWSR for 2011. Within the regular portfolio, Old Tavern Whisky, Gold Riband Whisky and McDowell's Green Label registered stupendous growth of 20%, 28% and 13% respectively on a sizeable volume base.

USL adopted a States-wise strategy for the Regular whisky portfolio – profitability being the key parameter. While Bagpiper remained the lead brand in most markets, large volume markets like Andhra Pradesh, Assam, Karnataka etc were tapped through brands such as the Old Tavern Whisky, creating a sizeable presence for this label. This prioritization and portfolio strategy was devised to drive profitability and higher profitable brands in each state. As a result of this micro planning and focus, USL brands grew much faster than the segment and added almost 4 mn cases to its portfolio in FY 11-12. This is twice the incremental volume added by relevant competitor whisky brand in the same period.



According to Mr. Ashok Capoor, President and Managing Director, United Spirits Limited, “We'll continue our focus on Bagpiper. We are planning to roll-out new packaging on Bagpiper whisky, designed by leading London based design house - Claessens International. We have also developed higher priced variants and innovations for Bagpiper to leverage growth opportunities and drive profitability for the Bagpiper Franchise”

ROYAL CHALLENGERS PUSH THE BOUNDARIES



2012 saw two vital purchases for the RCB team at the IPL Auction. Muttiah Muralitharan and Vinay Kumar were bought to strengthen the team's bowling capabilities. 2012 was also the first time, an external sponsor/partner was introduced to the franchise and on the team kit.

Off the field RCB became the World's first carbon neutral sports/cricket team and franchise purely through fan interaction and activations. Siddhartha Mallya was inspirational in his support of all "green initiatives" and is also to be congratulated on producing, launching and hosting the very successful No Boundaries Show that provided our many social networking members great insight to the players and took fan engagement to a new level.

Once again the green match [this time against Mumbai Indians on 14 May 2012] was well received and due to the focused strategy to improve our additional income streams, RCB launched and produced a merchandising lifestyle range designed by Kunal Rawal, a young up and coming Mumbai based fashion designer. Merchandise gross sales grew 120%. A special RCB stall/kiosk was strategically positioned for the duration on the IPL tournament on level 2 at UB City and an official Jeanswear partner (Flying Machine) was announced.



Ticket sales for the season were up about 65% on average per match with two matches having the house full signs up. In order to enhance, improve and refresh our ticket and merchandising sales this year, RCB took to Spiritzandmore.com and saw a 14% increase overall to the buying and selling of match tickets and online merchandise sales respectively.

The RCB Fan Summit provided valuable input to 2012 operational planning and strategy for RCB. Creative ideas from fans along with the strategic insights and experience of leadership and management combined to give rise to fresh ideas and plans for 2012 and beyond.

Going forward, the management team plans to continue to increase revenue streams and opportunities by introducing new income generation opportunities.

RCB IS GAME FOR MORE CHALLENGE

The Team



Ashok Capoor
President & MD



P.A. Murali
Jt. President & CFO



Ravi Nedungadi
President & Group CFO



V.S. Venkataraman
Executive Vice President
& Co. Secretary



Amrit Thomas
Deputy President
Global Marketing



P.S. Gill
Deputy President
All India Operations



I.P. Suresh
Menon



Ajay Baliga



Sanjay Raina



Kedar Ulman



Dr. B.K. Maitin



N.R. Rajsekher



Vivek Prakash



Mathew Xavier



G.S. Nagappa



Anant Iyer



Vineet Chhabra



Abhay Kewadkar