



Proud to be
Diageo India

Company Secretary

V. Ramachandran

Auditors

Price Waterhouse & Co Chartered Accountants LLP,
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Registered & Corporate Office

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Bengaluru - 560 001.

Registrars & Transfer Agents

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Tel. Nos.: 080 2346 0815-818

Contents

Business Overview

We are... Part of something bigger **02**

Chairman's message **04**

MD & CEO's message **05**

We are...

- Diageo India **06**



Strategic Review

We are...

- Custodians of consumer aspirations **08**

- Custodians of our brands **10**

- Creating memorable consumer experiences **12**

- Strengthening our value chain **14**

- Constantly nurturing the power of our people **16**

- Proud to be living the ethos of responsible growth **18**

- Focused on financial prudence **20**



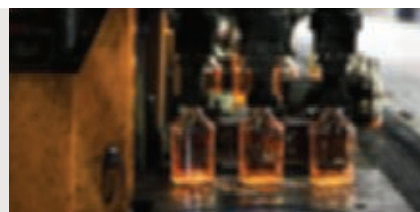
Statutory Reports

Report of the Directors **21**

Corporate Governance **28**

Management Discussion & Analysis **43**

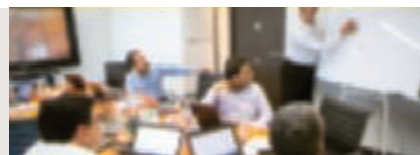
Annexures to the Report of Directors **49**



Financial Statements

Auditor's Report & Standalone Financial Statements **94**

Auditor's Report & Consolidated Financial Statements **181**



We are... Part of something bigger

Diageo is a global leader in beverage alcohol with an outstanding collection of brands across spirits and beer. These brands include Johnnie Walker, Crown Royal, J&B, Buchanan's and Windsor whiskies, Smirnoff, Ketel One and Cîroc vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness.



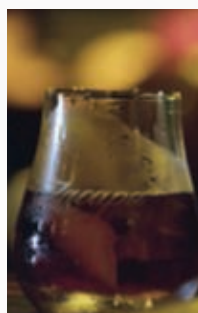
Diageo is a global company, and its products are sold in more than 180 countries around the world. The company is listed on both the London Stock Exchange (DGE) and the New York Stock Exchange (DEO).



The company employs approximately **32,000 talented people** worldwide with offices in around **80 countries**.



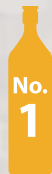
Its manufacturing facilities are located across the globe including Great Britain, Ireland, United States, Canada, Italy, Africa, Australia, Latin America and Caribbean.



Diageo was formed in 1997, following the merger of GrandMet and Guinness, and is headquartered in London. The word Diageo comes from the Latin for day (dia) and the Greek for world (geo). We take this to mean **every day, everywhere, people celebrate with our brands**.

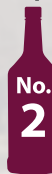
Global giants

Johnnie Walker



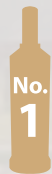
No. 1
Scotch
whisky in the
world

Captain Morgan



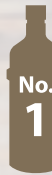
No. 2
Standard
rum in the
world

Smirnoff



No. 1
Vodka in
the world

Tanqueray



No. 1
Premium
gin in the
United
States

Baileys



No. 1
Liqueur in
the world

Guinness



No. 1
Stout in
the world¹

1. Canadean Intelligence

Net Sales[#]

£6,421m +4%*

Volume[#]

129.4EUm +2%**

Operating Profit[#]

£2,065m +4%

(before exceptional items)

* Organic Net Sales Growth

** Organic Volume Growth

[#] Half yearly results as on December 31, 2016

Regions

All five regions contributed to overall sales growth

North America

3% ↑

Asia Pacific

3% ↑

Europe, Russia
& Turkey

5% ↑

Latin America &
Caribbean

11% ↑

Africa

4% ↑



Categories

Broadbase growth across categories



Scotch

6% ↑

Gin

7% ↑

North American
Whiskey

15% ↑

Tequila

18% ↑

No. of people employed

32,000



Chairman's message



Dear Shareholders,

I write to you at an important moment in our Company's history – our transition into the next phase of our growth trajectory, underpinned by performance momentum despite a subdued industry environment.

Two policy developments during the year – demonetisation and the judicial ban on the sale of alcohol along national and state highways – adding to the introduction of prohibition in the State of Bihar, created a volatile and tough environment for alcohol

companies, including ours – but, I believe we have outperformed competition in this challenging environment. We have also performed favourably compared to most other fast-moving consumer goods (FMCG) peer companies. We will continue to build on this momentum.

For the year, while overall net sales grew by a modest 4%, you will be happy to note that our Company improved gross margins by 156 bps to 42.9% and profit after tax grew 39%, both aided by improved productivity and operational efficiencies. The above, coupled with stringent corporate governance and compliance norms, your Company has adopted and adhered to, have led to a further upgradation of our long-term credit rating to AA which will enable it to access more economical sources of debt. It will be our endeavour to deleverage the balance sheet and reduce the level of overall debt, including through the disposal of non-core assets, to further improve financial performance by optimising on total debt and financing costs.

In the last three years since Diageo took a controlling interest in United Spirits, we

have been on a journey to transform the Company into a world-class organisation that is known and recognised for its performance, compliance culture, ethical values and transparency, thereby gaining the trust and respect of all stakeholders and society at large. We have made fair progress in the pursuit and achievement of that vision leading to being accepted and acknowledged as a valuable and integral part of the Diageo group. On our part, over the last few years we have aligned and strengthened our business strategy, brand portfolio and investments, compliance standards, governance and financial/operational control mechanisms, talent development, environmental footprint and sustainability efforts and much more, to those of Diageo's standards globally, to pursue greater integration with the parent, in true spirit of inter-dependence. We now identify and adhere to the Diageo ethos more closely than ever before, even while we build on the positive aspects of our legacy, including our understanding of the Indian market, consumer franchise of our brands and well-established distribution network.

I thank you all for your continued faith and support which has in no small measure enabled the Company to adapt and face the challenges in a bold and determined manner.

Yours sincerely,
Mahendra Kumar Sharma
Chairman

Board of Directors

Mahendra Kumar Sharma
Chairman

V. K. Viswanathan
Independent Director

Rajeev Gupta
Independent Director

Randall Ingber
Non-Executive Director

Anand Kripalu
Managing Director &
Chief Executive Officer

Vinod Rao
Non-Executive Director

Dr. (Mrs.) Indu Shahani
Independent Director

John Thomas Kennedy
Non-Executive Director

D. Sivanandan
Independent Director

Sanjeev Churiwala
Executive Director

MD & CEO's message



Dear Shareholders,

It gives me great pleasure to share that the transformational journey we embarked upon three years ago has led to holistic, impactful and sustainable change across almost every single aspect of our Company. No stone has been left unturned, and no effort spared to examine every brand, every assumption, every process or control and much more, in our quest to become the best performing, most trusted and respected consumer products Company in India.

I am very pleased with our performance delivery in the year gone by and how we've held up against what can be described as the single-most challenging year from a regulatory perspective. Our results are commendable seeing as they come in the face of a very subdued economic environment and several regulatory changes. Beginning with the surprise announcement of total prohibition in Bihar, coping with the aftermath of demonetisation and culminating in the Supreme Court banning the sale of alcohol near national and state highways! Timely interventions, out-of-the-bottle thinking and employees rallying together to mitigate these risks as quickly and

effectively as possible have helped us survive and grow in this tumultuous year.

On the other hand, our industry fundamentals remain promising as demographic factors, increasing aspirations and changing attitudes to alcohol continue to fuel growth. We have significantly increased the quantum of investments behind our focus brands during the year, communicating more creatively with consumers, and at scale. Our strategy of premiumising offerings, refreshing and renovating brands as well as innovating with new consumption occasions, led to strong, ahead-of-industry, growth of our Prestige and above segment, which grew net sales 14% during the year. Our renovated brands, McDowell's No. 1 whisky net sales grew 8%, Royal Challenge grew 16% and Signature grew by 29% in this year, gaining market share as well. Our Scotch category also grew net sales 32%, driven by Johnnie Walker, Black Dog, Black & White and VAT 69.

To stay focused on the most profitable parts of our business viz. Prestige and above, we created a fit-for-purpose business model to selectively participate in the Popular segment in certain states. In others, we have begun franchising our Popular brands to local partners to improve operational and cost efficiencies.

At Diageo, standards are everything. Our high-quality standards are manifest in every product in our portfolio and our state-of-the-art Technical Centre is the custodian of our valued portfolio. Our new Packaging Centre at Kumbalgudu will more fully serve our innovation agenda, going forward.

We only do business the right way. We strengthened our compliance and

governance norms this year with the introduction of the Diageo Know Your Business Partner Programme, a more thorough due diligence of our business partners.

We also restructured our organisation to fit our strategic objectives and ensure that we respond quickly to customer and consumer needs, making it leaner, flatter and more agile; roles and spans are bigger; decision making is faster; and accountability sharper.

We firmly believe that when consumed responsibly, alcohol can be part of a balanced lifestyle and play a positive role in social occasions and celebration. We champion responsible drinking and support road safety programmes all over India. This year we extended our partnerships to other corporates such as Essar Oil to create awareness and drive behaviour change through their network of 3,200+ petrol pumps, many of which are situated along national highways.

Over the last few years, we have transformed and aligned ourselves more closely to the Diageo value system which has begun to underpin our entire business value chain, as well as our relationships with all our stakeholders, including our employees and the community at large. Moving forward, I see these values-led and value-creating relationships propelling our growth even more appreciably forward. We are part of something bigger, and we are certainly proud to have become an integral and valuable part of Diageo.

I would like to thank all our employees for making this happen, and for their incredible support during the year.

I would also like to thank you, all our shareholders, for your continued support in our journey.

Yours sincerely,
Anand Kripalu
Managing Director and CEO

We are... Diageo India

₹ **85,476**^m

Net Revenue



₹ **9,826**^m

EBITDA



₹ **196,478**^m

Contribution to
the Exchequer



2nd

Largest spirits
Company in the world



No.1

Largest spirits
Company in India



12

Millionaire
brands



23%

Reduction in water
usage over last year



90^m

Cases produced
annually



2.8^m

People benefited from
our sustainability efforts



₹ **11.69**

Earnings
Per Share



AA

(with positive outlook)
Credit rating



10,000+

Employment
generated



We are India's leading beverage alcohol Company with an outstanding portfolio of premium brands. We are a high-performing business that is sensitive to consumer, community and societal needs. We are proud of being a responsible producer and marketer of beverage alcohol, and we champion responsible consumption as part of a balanced lifestyle.



A business built on the principles and foundations laid by the giants of the industry. Our ambition is to become the best performing, most trusted and respected consumer products Company in India.

We are a Company built and sustained through innovation, which gives us the drive to create new products, new categories and new experiences for consumers, to invent strong brands today and in the future for others to take further.

Our strength lies in our scale, the geographical diversity of our business, and our desire to continuously improve our performance. Old and new, large and small, global and local – the depth and breadth of our product portfolio is second to none, with brands at almost every price point in every category to meet consumer demand.

We invest to build our brands and in the routes for them to reach consumers' hands.

With a purpose of Celebrating life, every day, everywhere, we take seriously our obligation to market our brands responsibly, and to help people make informed decisions about drinking, including choosing not to drink.

We invest in all of our partnerships big and small, holding a deep respect for the relationships we build, playing a responsible role in enriching lives of local communities, wherever we work.

As we collaborate with India, for India, we have a deep-rooted responsibility to actively shape the future of our Company, the industry, and the country by doing business the right way.

We are...

Custodians of consumer aspirations

Diageo India is the leading beverage alcohol company in India - a business built on the principles and foundations laid by the giants of the industry.



Alexander Walker, Arthur Guinness, Angus McDowell, and all those many talented people that followed in their footsteps over hundreds of years, cared deeply about the people and businesses they fostered. They were driven to produce the best spirits, wine and beer brands they could, working hard to be successful, delivering the best performance possible, and creating opportunities for people and their communities. Today, we stand on the shoulders of these giants and act with the same entrepreneurial spirit and determination.