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REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE OF UNITED SPIRITS LIMITED ON SCHEME OF AMALGAMATION AND ARRANGEMENT IN RELATION TO THE PROPOSED MERGER OF PIONEER DISTILLERIES LIMITED (TRANSFEROR COMPANY) WITH UNITED SPIRITS LIMITED (TRANSFeree COMPANY), AT THE MEETING HELD ON DECEMBER 2, 2019

I. Background

A meeting of the Audit and Risk Management Committee (the “**Audit Committee**”) of United Spirits Limited (the “**Company**”) was held on December 2, 2019 to consider and recommend the scheme of amalgamation and arrangement in relation to the proposed merger of Pioneer Distilleries Limited (“**PDL**”) with the Company (the “**Scheme**”) under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and the rules thereof.

This report of the Audit Committee is made in compliance with the requirements of the Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 on scheme of arrangements by listed entities issued by the Securities Exchange and Board of India (“**SEBI**”, and the circular, as amended from time to time, “**SEBI Circular**”).

The following documents were placed before the Audit Committee:

1. draft Scheme duly initialed by the Company Secretary of the Company for the purpose of identification;
2. valuation report dated December 2, 2019 prepared by SRBC & Co LLP, an independent chartered accountant, and valuation report dated December 2, 2019, prepared by Manuj Singhal, chartered accountant and registered valuer, setting out the recommended share exchange ratio (the “**Valuation Reports**”);
3. fairness opinion dated December 2, 2019 prepared by Pantomath Capital Advisors (Private) Limited, a SEBI registered merchant banker, providing the fairness opinion on the share exchange ratio (“**Fairness Opinion**”); and
4. a draft certificate from the statutory auditors of the Company, Price Waterhouse & Co. Chartered Accountants LLP, confirming that the accounting treatment as specified in the draft Scheme is in compliance with the applicable Accounting Standards notified under the Companies Act, 2013 and other generally accepted accounting principles (“**Auditors’ Certificate**”).



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II. Proposed Scheme of Amalgamation and Arrangement

The Audit Committee noted the rationale and the benefits of the Scheme which are as follows:

1. simplification of the corporate structure and consolidation of the group's business;
2. realising business efficiencies, inter alia, through optimum utilisation of resources due to pooling of management, expertise and other resources of the companies and to achieve economies of scale;
3. overcoming limitations on raising capital for PDL, ensuring improved allocation of capital and optimum cash flows contributing to better utilisation of capacity and the overall growth of the combined entity;
4. creation of a larger asset base and facilitation of access to better financial resources;
5. savings on compliance / interest costs;
6. uninterrupted operations of PDL's plant in order to stabilize its business;
7. integration of the PDL's operations with the Company resulting in benefits arising out of the synergies, especially since the Company is in the same line of business as PDL; and
8. enhanced shareholder value pursuant to economies of scale and business efficiencies.

PDL has been incurring losses in the recent past and its entire net worth has eroded. The Company holding 75% of the equity capital of PDL, has to account to the extent of 75% of the losses of PDL while consolidating its accounts. Continuity of PDL without the active support of the Company would be very difficult. Amalgamation of PDL with the Company would be beneficial to both the companies, including with respect to ease of getting uninterrupted financial and technical support and the Company getting the full benefit of PDL's manufacturing facilities.

The Audit Committee reviewed and noted the Valuation Reports, and noted that upon coming into effect of the Scheme and in consideration for the amalgamation, the Company shall, without any further application or deed, issue and allot its equity shares, credited as fully paid up, to all the equity shareholders holding fully paid up equity shares of PDL, whose names appear in the register of members of PDL and / or whose names appear as the beneficial owner of the shares of PDL in the records of the depository, as on the record date, to be fixed for the purpose of reckoning names of the equity shareholders of PDL ("**PDL Shareholders**") in the following ratio: 10(Ten) fully paid up equity shares of face value Rs. 2 (Rupees two only) each of the Company, to be issued for every 47 (Forty Seven) fully paid up equity shares of face value Rs. 10 (Rupees ten only) each held by PDL Shareholders. The equity shares held by the Company in PDL shall stand cancelled as an integral part of the Scheme and no equity shares of the Company shall be allotted in respect of such equity shares. The 62,400 forfeited shares of PDL shall stand extinguished and cancelled and an amount of Rs. 3,12,000 shall be transferred to the head 'Capital Reserve' in the financial statement of the Company.



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Further, the Fairness Opinion confirmed that the share exchange ratio is fair to the equity shareholders of the Company. Further the Auditors' Certificate confirmed that the accounting treatment as specified in the draft Scheme is in compliance with the applicable Accounting Standards notified under the Companies Act, 2013 and other generally accepted accounting principles. The Audit Committee noted that the draft Scheme will require the approval of the public shareholders of the Company in terms of clause I.A.9(b) of Annexure I of the SEBI Circular and, therefore, an undertaking by the Company's auditors and the approval of the Board of Directors of the Company under clause I.A.9(c) of Annexure I of the SEBI Circular will not be required.

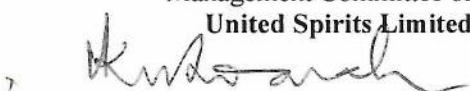
After considering the draft Scheme, the Valuation Reports, the Fairness Opinion and the Auditors' Certificate, the members of the Audit Committee are of the opinion that the implementation of the proposed Scheme is in the best interest of the Company and its shareholders, creditors and other stakeholders.

III. Recommendation of the Audit Committee

Taking into consideration the Valuation Reports, the Fairness Opinion, the Auditors' Certificate and independent assessment of the Scheme, the Audit Committee of the Company recommends the draft Scheme to the Board of Directors of the Company, stock exchanges and SEBI for its favorable consideration and approval.

Date: December 2, 2019
Place: Bengaluru



For and on behalf of Audit and Risk
Management Committee of
United Spirits Limited

V.K. Viswanathan
[Chairman,
Audit and Risk Management Committee]
(DIN:01782934)